AN ANALSIS OF INDIA'S EXPORT COMPETITIVENESS WITH GCC

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BY

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UNDER THE GUIDENCE OF

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DECLARATION

I hereby declare that the dissertation Entitled "AN ANALYSIS OF INDIA'S EXPORT COMPETITIVENESS WITH GCC" has been prepare by me under the supervision of Dr.Surinder Kumar Singla, Assistant professor, Department of economics, School of commerce and economics, faculty of Business and Applied Arts, Lovely Professional University, Phagwara. No part of this thesis has formed the basis for the award of any degree or fellowship previously.

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Dated: (Karishma Chauhan)

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ABSTACT

The purpose of this study is to analyze the growth, composition, diversification of India's export to GCC and the competitiveness of India's export with GCC. India's trade relation with GCC countries has growing at a fast rate. The good relation between them is based on the mutual trade and business. The value of India's exports to the GCC increased from 3,906.48 million (US$) in 2000-2001 to 48,221.20 million (US$) in 2013-2014, whereas India's overall export increased from 44,560.29 million (US$) in 2000-2001 to 314,405.30 million (US$) in 2013-2014. The top five commodities in India's export to GCC are 27-Mineral fuels, oils, distillation products, 71-Natural or cultural pears, precious or semi-precious stones etc, 10- Cereals; '85- Electrical, electronic equipment; and 89- Ships, Boats and floating structures. To calculate the annual percentage compound growth rate of exports this study uses the 2011-2012 as a base year and exponential function for the calculation. An analysis of the composition of India's exports to GCC is based on the data collected from the monthly statistics of foreign trade of India at HS-2 digit and it is calculated or analyzed with the help of percentage method. The trend growth rate of India's export with GCC will be analyzed by Hirschman concentration index. Hirschman concentration index is used to estimate the concentration level of export basket of India to GCC. India's exports to the GCC are quite diversified, while, dominated by India's exports to the UAE. The competitiveness of India's export with GCC. The current study makes an attempt to analyze the competiveness of India's exports to GCC with the help of constant market share model.

CHAPTER ONE- INTRODUCTION

The buying and selling of goods and services across national borders or territories is known as international trade. International trade is the backbone of our modern and commercial world as it gives rise to a world economy. Trade creates jobs, attract investment, and attract new technology and raw materials. Range of choices provides more competition in the market place. International trade allows us to sell something that we do not need and buy something that we need. Producers in various nations try to gain profit from an expanded market, rather than be limited to selling their products within their own borders. International trade take place, due to the differences in the comparative cost of production between countries, i.e. lower production costs in one region versus another specialized industries, lack or surplus of natural resources and consumers taste. Trade is a very important measure and mean for promoting the economic growth and development of a country. Trade between different countries promotes growth and enhances economic welfare because it stimulates a more economic utilization of factor endowment of different regions and enables people to obtain goods from efficient source of supply. Exports play an important role in an economy. Growth of any economy is directly related to its exports. If exports increase at a faster rate as compared to imports, nothing can stop an economy from being a developed one. A serious problem for many countries has been the huge trade deficit. The huge trade deficits and disturbing balance of payments position have influenced most nations to enhance their exports. The famous statement 'export or perish' given by Jawaharlal Nehru, raises the importance of export to a developing economy. A developing economy with the impressive development plan may need large imports of capital goods, technology, raw material, and other inputs and consumer goods to apply the plan effectively as imports are financed by exports, the capacity of a nation to import, obviously, depend on its export performance. Export expansion is one of the prime determinants of economic growth. The overall growth of countries can be generated not only by increasing the amount of labour and capital within the economy but also by expanding exports to wider markets. As the classical economist postulates exports perform the function of an 'engine of growth'. The association

between exports and economic growth is often attributed to the positive externalities for the domestic economy arising from participation in world market from re-allocation of existing resources, economics of scale and various labour–specialisation effects. (International trade and export management, 2001)

At the time of our independence, agricultural commodities and light manufactured consumer products (primary goods) dominated the India's export basket. After independence, India has achieved considerable diversification in exports, both product-wise and country-wise. The growth of non-traditional exports deserves special mention. In 1960-61, four major non-traditional items, viz., engineering goods, iron and steel, iron ore and chemicals and allied products contributed only about one–fifth of the total exports. Though there has been a significant growth of non-traditional items, a number of traditional items continue to have considerable weight age in India's export basket. These include tea, jute, tobacco, coffee, sugar, cashew kernels, oil cake and spices etc. (International trade and export management, 2001).Country wise India's exports during 2011-2012 indicate that the UAE is the largest importer of Indian goods with a share of 11.8 percent, followed by the U.S (11.3 percent), China(5.9 percent), Singapore (5.5 percent) and Hong Kong (4.2 percent) .These five countries together accounted for around 39 percent of India's total exports during 2011-2012. On the other hand country wise India's import during 2011-2012 indicate that China continued to be the largest source of imports with the share of 11.8 percent in total imports of India ,followed by the UAE, Switzerland, Saudi Arabia and US and these five countries together constituted around 37 percent of India's imports. Compositional changes in India's export basket have been taking place over the year .The share of primary products in India's export fell across the years from 16 percent in 2000-01; in 2012-13 it regained the share of 16 percent mainly due to the export of agricultural items like rice and gur gum meal. The share of manufacturing exports fell drastically from 78.8 percent in 2000-1 and to 66.1 percent in 2012-2013 (April-November) mainly due to the fall in share of traditional items like textile and leather and leather manufactures even though the share of engineering goods and chemicals and related products increased.(Economic Survey, 2012-2013). Trade plays an important role in a developing countries or high income developing countries as well as in developed countries. India's bilateral trade with region blocs like GCC enhances the growth and the development of both the countries. It also help countries to increase

their total trade share in the world. India is a developing nation while GCC countries are high income developing countries. The GCC countries have historical, cultural, economic and political significance for India. The GCC countries, namely Bahrain, Oman, Qatar, UAE, and Saudi Arabia, are moving in advance with their economic integration efforts and offers excellent potential for cooperation in trade, energy, investment, manpower etc. With a bilateral trade estimated at USD 113 billion during 2010-2011, GCC has became our largest trading partner in the world. Nearly 40% of India crude oil import is met from the GCC countries. Gulf region plays a important role in our energy security and pace of economic growth .India has successfully bid for oil blocks in Qatar and Oman. The OMIFCO fertilizer plant in Oman and the Essar steel plant in Qatar are good examples of the efforts, which are going to set up the joint ventures in downstream petrochemicals, fertilizer and energy intensive industries in the GCC countries and in India. With increasing economic and international profile of India, the engagement with the gulf region is on increase and due to increase in the number of agreements and MoUs has been signed in last few years, the gulf countries provide an excellent market potential for India's manufactured goods and services, especially in project services exports. (Gulf Cooperation Council, April 2012)

The essence of India -GCC economic relations is the interaction of a developing country with the group of high – income developing countries. These are two societies of great contrast in energy resources and human resources. On the multilateral framework, India and GCC have signed a Framework Agreement of Economic Cooperation in New Delhi on 25 August 2004. This harmony gives a boost to commercial and economic relations between India and GCC, and explores the probability of a Free Trade Area between them . The first round of negotiations on FTA took place at Riyadh on 21-22 march 2006. Both countries signed this agreement for enhancing and developing the economic cooperation between them. As part of the Framework, India and GCC countries agreed to undertake possible negotiation of a bilateral free trade agreement (FTA).The Framework Agreement enhances the strength of this commercial relationship. It provides that India and GCC will, through all-round economic and trade cooperation, "achieve balanced and comprehensive trade and investment facilitation and liberalization". The Framework also provides for a wide range of specific steps to strengthen the trade and economic relationship between India and GCC. Ministry of External Affairs under the

aegis of India-Arab Cooperation Forum supported and facilitated the 2nd India-Arab investments project meeting which was held on 8-9 February 2010 at New Delhi. The event was organized by FICCI. Nine Trade and Industry Ministers and over 280 delegates from 21 GCC and Arab countries and Iraq comprising Government officials, business leaders and investment houses participated with over 250 Indian businesses. Indian investable projects of around USD 11 billion were tabled. It is estimated that the interactions during the meeting with Ministerial level delegations as well as between business to business delegation regarding investment projects would lead to enhanced business and investment relations between India and the GCC among others. It covers a wide range of activities aimed at improving commercial and policy linkages, and delivering improvements to the overall business environment to both countries' both India and GCC gets the mutual benefit.. The first India-GCC Industrial Conference involving ministerial and business delegations from the six member states of the Cooperation Council for the Arab States of the Gulf –Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and UAE – and India .The Conference was co-chaired from Indian side by Minister of Commerce and Industry and from the GCC side by Minister of Trade and Industry of Kuwait. The Conference was paying attention on trade, investment, industrial and technological cooperation. It issued a 'Mumbai Declaration'. Second India- GCC Industrial Conference took place in Muscat-Oman in March 2006 and the third Industrial Conference took place in Mumbai in May 2007. They focus on two-way investment. This session approved holding regular Senior Officials Meeting (SOM) as a means to discuss develop and sustain cooperation in the field of industry and investment. (Gulf Cooperation Council (GCC), April 2012)

The GCC countries are important trading partners for India, and bilateral trade between them shows the remarkable growth in recent years. In recent years, India has also become one of the major trading partners of GCC. India's share in total GCC trade was 11 percent in 2011 which is more than three percent in 1992; from around $5 billion to $145 billion during the same period. Main export items of India to GCC are food, transport equipment, machinery, pharmaceuticals ceramic products, textile, clothing, plastic and rubber products, essential oils, cosmetics and perfumes and iron and steel articles and on the other hand import constitutes mainly energy and energy-related items, minerals, metal scraps, petrochemicals, fertilizers, etc. Realizing the trade potential of member countries, India has entered into four rounds of

negotiations with the GCC to finalise a Free Trade Agreement. Various economic analysts have observed that India is becoming more dependent on Gulf energy for sustaining its growth, but in reality, the growing energy hunger of the Indian economy provides one of the largest secured oil and gas markets for the GCC. India is the fourth largest energy consumer in the world and the second largest in Asia. This will provide a huge scope for GCC countries. Out of the total India imports of oil, 40 percent of the requirements are fulfilled by the GCC countries, where Saudi Arabia, fulfills India's 25 percent energy requirements, followed by Iraq, UAE, and Kuwait. Since the India has, for long, been one of the important contributing partners in GCC's growth, both directly and indirectly. India's growing proficiency in pharmaceuticals, cheap and world class medical facilities, including telemedicine, biotechnology, renewable energy, space, education, information technology, ICT, R&D, infrastructure, utility services such as water, power, transportation, financial sectors such as banking, finance, and tourism and catering sectors have significantly attracted the GCC countries .India's economic linkages with GCC have increased gradually especially due to growth in oil imports. During 2012-2013, India's export to GCC was US$ 51.05 billion. The bilateral trade during the period was US$159.15 billion, making a 7.8 percent increase over the previous year, and growing at a constant speed. In 2011, UAE was India's top trading partner with a total bilateral trade of $68 billion followed by China and the US .The most important destination of India's exports was UAE during the year 2011-12 closely followed by USA. In fact UAE has been the topmost export destination for the last four years with about 12 to 13 percent share in total export every year. In terms of value, India's exports to UAE exceeded one lakh crores during these four years with Rs. 172268 crores in 2011-12. India's major export items to the UAE are: Petroleum Products, Precious Metals, Stones, Gems & Jewellery, Minerals, Food Items (Cereals, Sugar, Fruits & Vegetables, Tea, Meat, and Seafood), Textiles (Garments, Apparel, Synthetic fiber, Cotton, Yarn) and Engineering & Machinery Products and Chemicals. India's major import items from the UAE are: Petroleum and Petroleum Products, Precious Metals, Stones, Gems & Jewellery, Minerals, Chemicals, Wood & Wood Products. India also imported 15.79 MMT of crude oil from UAE in 2011-12. India has, for long, been one of the significant contributing partners in GCC's growth, both directly and indirectly. The gulf countries are our our largest trading partner group. Our bilateral trade during 2011-2012 was estimated at $167 billion and in the first nine months of the

financial year 2012-2013, the figure has already reached close to $135 billion. Nearly 60 percent of India's oil and gas needs are met by the oil-rich gulf countries.(Embassy of India). There are various studies by economic experts who assess India's economic, political, and cultural relations with the region (GCC) but they have failed to provide us a clear and comprehensive picture of India's overall export competitiveness with GCC. The present study is a modest attempt to analyze the India's overall export competitiveness with GCC and this will go a long way in spreading the awareness about India export performance with GCC.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Studies Related India's Overall Export Performance

Lall & Mohammad (1983) have examined the impact of foreign ownership on export performance by the largest corporate firms in India and also analyzed whether the 'monopolistic advantages' of multinationals survive in its highly restrictive and regulated environment. After controlling for industrial characteristics and export incentives, foreign ownership has a positive impact on export performance. The statistical importance of the result is not very strong, but the finding counters earlier works based on simple comparisons of exports at the firm level. The analysis also sheds light on other influences of policy significance on export performance.

Dholakia and Kapur (2000) have analyzed the export performance of firms with the help of balance sheet data of 557 firms for the years 1980-81 to 1995-96. Applying panel Tobit model, it explains the improved export performance through changes in various firm level variables as well as economic environmental factors. In this paper, they attempted to synthesize various theories and empirical findings from numerous countries on the determinants of export behavior of firms by first providing a simple framework based on the price discrimination model and then supporting it with an empirical exercise based on a panel data (applying panel tobit model) set from the private corporate sector in India. They divided the panel into two sub-periods, viz., 1980-81 to 1990-91 and 1991-92 to 1995-96, the dividing line being substantial

economic reforms introduced in the Indian economy since 1991-92. The sharp differences in their findings for the two sub-periods lend support to the widely held view in the profession that economic reforms and liberalization have a significant role in determining the export behavior of firms. This paper also draws certain strategic and policy implications likely to be relevant for emerging economies from its findings on India.

Arunachalam (2000) has explored the India's engineering goods exports. Its growth, concentration and diversification through the decades under this study have been analyzed thoroughly which may help to boost the export of engineering goods. It is important to note that the major part of the study has been carried out in the background of liberalization of the Indian economy in general and export—import sector in particular. The study discusses in detail the following aspects: The growth and trends in India's engineering exports, the role of engineering exports in India's overall exports, Gross National Product (GNP), Net National Product (NNP) and Gross Domestic Product (GDP), The items of engineering exports: and the direction of India's engineering exports from regional and country-wise angles. he also mentioned that India's export performance in the past two decades in comparison with other countries' experiences and the influence of engineering industry on national development have been discussed with a view to understand and reformulate the present policy of engineering exports.

Sharma (2003) has described the determinants of India's export performance in a simultaneous equation framework by using the annual data for 1977-1988. The Results of this study suggests that demand for export increases when India maintains the real depreciation of the rupee. He suggests that tight monetary and fiscal policy are necessary especially at the time of high growth to check domestic prices and demand pressure. Foreign investment appears to have statistically no significant impact on India's export performance although its coefficient has a positive sign. Similarly, he find no evidence to claim that infrastructure investment has an impact on export supply. These results, however, must be interpreted with caution. First, our dependent variable (i.e. total export volume index) groups together exports of primary, mineral, and man-manufactured products. In doing so he assumes that export demand and supply functions are same in all categories which may not be the case. Second, he is unable to model the effects of liberalization due to rather short time-series data.

Singh et al. (2003) have explained the prospects of agricultural exports of India by using a composite index approach. The study is based on the time series data of export value and export quantum from 1980 to 2001.The study reveals that – coffee green, coffee extract, groundnuts, shelled milled paddy, rice, pepper, potatoes have bright prospects, bananas, beef and veal, buffalo meat, cake of rape seed, cotton waste, ghee from cow milk, hen eggs, infant food, lentils, oil of castor beans, oranges, sesame seed, tobacco leaves and walnuts shelled have also been visualized to have positive prospects.

Athukorala (2008) has explored the export performance of India in the reform era against the backdrop of pre-reform experience and compared with China and of other major developing countries .This paper begins with a survey of export trends by dividing the post-independence period into four sub-periods, each of which marked by distinctive shifts in policy regimes: the immediate post-independence period characterized by liberal trade and investment policies, the era of economic dirigisme from the early 1960s, the period of reforms by stealth from the late 1970s and the era of significant liberalization reforms since 1991. This is followed by an analysis of comparative export experience by major commodity categories, changing revealed comparative advantage in world trade and factor-intensity characteristics of the emerging export patterns. The final section of this study draws policy inferences, with a focus on the contemporary debate on the feasibility and the desirability (from the view point of laying a solid foundation for achieving sustained, equitable growth) of bypassing the stage of labour-intensive export expansion.

Burange & Chaddha (2008) have discussed the structure of comparative advantage in India and the change in the scene over a 10-year period from 1996 to 2005. India enjoys a comparative advantage in the exports of goods for which standard technology is required for the production is shifting to developing economies like India as shown by absence of Revealed Comparative Advantage in imports of these goods.

Mukherjee and Mukherjee (2010) have explained the performance of India's exports and the various economic factors which have contributed to its growth. Since manufactured exports comprise a significant share of India's aggregate (merchandise) exports, the paper also provides an overview of the export performance of three important commodities; namely, gems

and jewellery, cotton and electronic goods and concludes with key policy changes which could have a bearing on the current trends seen in these sectors.. The overall performance of the Indian manufacturing sector has widespread implications for various aspects of the economy; employment, being one of the chief areas of impact. Since this sector generates large scale employment for low and medium skilled workers, it is imperative to develop features which will create a conducive environment for industries to grow further. The paper identifies the various inadequacies which prevail within the sector. In particular, the presence of the unorganized component within industries reduces the benefits that can be derived from economies of scale. Such constraints cumulatively prevent the manufacturing sector from achieving its potential.

Kalirajan and Singh (2010) have explained the comparative analysis of recent export performance of India and china which is based on the endogenous growth theory that internalizes the ability to export the maximum possible exports under the determinants of exports including the existing 'behind the border' and 'beyond the border' constraints, shows that India's export performance is still far behind that of China. The implication of this study is that India's reform measures need to be intensified effectively to catch up and to overtake China. China's export performance contrasted with that of India over the years indicates that an important determinant of the benefits, which developing countries can reap from globalization, is whether 'behind the border constraints' to export can be decreased consistently through appropriate policy measures. He also argued that India should nurture this comparative advantage effectively by relaxing 'behind the border constraints' rather than introducing new constraints such as over regulation of higher education system. Nevertheless, in order to provide sustained employment to several million people, India cannot underestimate the benefits of following the East Asian growth model of labour intensive manufacturing, which is also causally linked with the services sector.

Srinivasan and Kalaivani (2012) have explained the impact of exchange rate volatility on the real exports in India using the ARDL bounds testing procedure proposed by Pesaran, Shin and Smith (2001). Using annual time series data, the empirical analyses has been carried out for the period 1970 to 2011. The study results confirm that real exports are co-integrated with exchange rate volatility, real exchange rate, gross domestic product and foreign economic activity. Their findings indicates that the exchange rate volatility has significant

negative impact on real exports both in the short run and long run, implying that higher exchange rate fluctuation tends to reduce real exports in India. Besides, the real exchange rate has a positive and significant long on real exports, which confirms that the depreciation of currency is more effective in stimulating the growth of India's real exports in the long-run. However the impact of the real exchange rate turns out to be negative and significant in the short run implying the depreciation adversely affects the real exports in India. Moreover, the empirical results reveal that GDP has a positive and significant impact on India's real exports in the long run, but the impact turns out to be in significant in the short run in addition ,the foreign economic activity exerts significant negative and positive impact on real exports in the short run and long run respectively. The present study recommends that the Reserve Bank of India (RBI) should pursue sustainable and stable exchange rate policy measures to promote greater exchange rate stability that would help to enhance the real exports of the economy. Most importantly, the policy makers in India should consider both the existence and the degree of exchange rate volatility while implementing trade and exchange rate policies for the growth of exports demand. Moreover, this study strongly recommends that RBI intervention should be needed to take control over depreciation of rupee in the short-run that adversely affects the real exports. This is due to the fact that for many Indian exporters, the rise in import costs of raw material offsets any export gains from the depreciating rupee. Further, the study insists on the need for a foreign trade policy that is in tune with the changed realities of the world economic activity in the short-run due to the alarming global economic crisis.

Crockett (2013) has analyzed the India's relations with the six countries of the Gulf Cooperation Council remain primarily founded on trade and other forms of economic interaction. But the old equation of oil flowing east from the Arabian Gulf and human resources moving west from India has diversified and become more complex and mutually prosperous. Moreover, political-military relations have both improved and expanded in the past generation. Yet the potential for greater cooperation with all Gulf Cooperation Council members exists and not just in the economic sphere. But three key countries continue to play a complicating role in the India - Gulf Cooperation Council relationship: Pakistan, Iran, and China. Each of the three presents very different opportunities and challenges to India, the Gulf Arab states, and their relations. This paper highlight India's evolving relations with the Gulf Cooperation Council members to

include the most critical trends, future potential, and implications, opportunities, and recommendations for U.S. policy in the areas of energy, economic, political-military, and information and cyber security cooperation.

Singh and Lal (2013) have examined the export performance and export competitiveness of Indian textile with respect to the rest of the world during the period of 2009-2011. Export competitiveness is calculated with the help of revealed comparative advantages (RCA) of ten different commodities of textile like silk, cotton etc. and results shows that some commodities are more competitive as compared to other commodities. The commodities which are more competitive in international market are cotton, vegetable textile fibers, manmade filaments, manmade staple fibers, carpets, and other textiles floor coverings. The commodities that are performing fairly well in international markets are manmade filament with the highest value of RCA for the year 2009 and 2010 and manmade stable fibers for the year 2011.

Paudel (2014) has described the impact of liberalization reform on export performance in India considering the determinants of India's export, using annual time series data for the duration of 1975-2008. This paper has followed the standards of time series econometric analysis, conducting the unit root test applying DF, ADF, PP and KPSS method. The results showed that the variables are both I(0) and I(1), so the ARDL approach to co integration with bound test method is applied to test the impact of the selected variables in manufacturing and total export demand and supply. The results of this study revealed that the major determinant of manufactured export demand is the world demand, the proxy of world income; while manufacturing output is the major determinant of manufacturing export supply. Similarly, FDI invested in manufacturing sector is more important to boost the manufacturing exports. Liberalization has contributed significantly to increase the manufacturing exports supply. But this study failed to detect a significant negative relationship between trade protection and export performance. Overall, liberalizations reforms' seem have positive impact in India's manufacturing export performance but not the merchandised export performance. The major policy inferences from these findings are; India's export performance comes from the manufacturing sector, therefore, FDI in the manufacturing sector should be made more open to fulfill the capital requirement in this sector. Overall liberalization of the economy, not just the

liberalization of trade is playing important role in export performance. Foreign investment policy reforms need to be treated as a core element of the reform process.

Kumar and Dadhich (n.d) have discussed the growth and performance of India's major agricultural exports during the post reforms period (1991-2010). It has been found that in exports of certain commodities like rice and Cereals, India has been able to maintain its growth rate, but several others like tea, coffee, pulses, sugar, etc. have been negatively affected. Present study explores the growth performance of India's agricultural exports from 1991-92 to 2010-11, and percentage share in total export of India as well as Gross Domestic Product by using secondary sources of data collection. An in depth composition and structure analysis of the agricultural export is undertaken. The study also examines the changing dynamics of the contribution of individual group of commodities in the basket of agricultural export. It includes the major agriculture product/crops that contribute to the maximum share in the total agriculture export in different periods (2000-2011).

2.2 Studies Related to India's Export Performance with GCC

Chatterjee (1987) has observed that the upward evaluation of Japanese yen along with the West German mark and other European currencies from 1985 has provided a good opportunity for India to enlarge its exports of industrial products to the United Arab Emirates. However, the author has expressed the view that the UAE like the Middle East as a whole is no longer on easy market and demands a high level of sophistication in marketing and selling. The author has observed further that for the Indian exporter and manufacturer UAE presents a test field for the competitive ability of their products both in the terms of price and quality against international competition. It may be interesting to note, says the author that besides the developing nation's china has a strong presence in the market and Pol and has lately made an entry to earn foreign exchange.

Azhar (1999) has analyzed the inflow of massive oil revenue at the disposal of Gulf countries has brought these economies the prosperity and riches which they enjoy now. However, the low level of oil revenues in many years and the task of preparing for the post oil era have forced the decision makers in these Economies to go for for economic diversification

and reforms. The paper contains India's bilateral economic relations with the countries of the Gulf region. The study also provides evaluations of Indo-Gulf economic relations and discusses the prospects of further improvement. But this study also does not cover all the Gulf countries economic policies and problems of Oman, Qatar, Kuwait, Bahrain and Iran.

Khan (2004) has explained that from early 1990s there is a growing demand for natural gas in India and that oil reform has helped in initiating negotiations to develop gas exports projects from the Gulf countries to India. He also observed that as India initiated deregulations in its hydrocarbon sector, producers in the Gulf countries seized these as multiple supply opportunities to India's growing market. Gas consumption in India's growing economy is set to raise many folds in the coming years. In such a scenario India is rightly projected to be perfect market for LNG from the gas producing countries of the Persian Gulf. For the Indian government it would be more important that the new deregulation of oil regimes play an active role in the development of the country's LNG Market.

Pasha (2005) has explained that India-GCC relations have continued to expand in new area, while the consolidation process in other area accelerated. India's largest trading partner in the GCC is UAE. In order to expand the range of the products that India can export, the second amazing india-2005 exhibition –a show case of products and services from India opened in Dubai. The author further observed that the earlier trade exhibitions have been quite successful in strengthening trade and economic ties between the two countries. It is interesting to note that growth in the field of information technology exports has also been significant. The author has predicted great strides in the growth of trade in services like shipping, air services and in the gas supply from Qatar to India and in banking e.t.c.

Pradhan (2006) has adopted the gravity model to explain some important trends regarding India's export potential in the GCC countries. According to this study a gravity model shows that the magnitude of India's export potential is higher with Oman, followed by Brahmin, Oman and Kuwait. He further says that all the model specifications consistently show no export potential with UAE and Saudi Arabia .this shows that the India is overtraded with the UAE and Saudi Arabia as they are the largest two trading partners of India in the GCC and India's export trade is not diversified and confined to limited number of items. The results show the sharp

increase in the magnitude of the India's export potentials to Oman Brahmin Qatar Kuwait. In addition the study shows similar trends of India export potentials to the GCC countries.

Karayil (2007) has discussed about India's exports to the gulf cooperation council countries with special focus on the influence of migration. He also analyzed the demand pattern of GCC as represented by its import structure with a view to explain the growing orientation of India's exports towards the gulf countries. The gulf countries import structure reveals the influence of the Indian Diaspora and the possible migration link .the author used a longitudinal gravity type model to verified the hypothesis of migration trade. The econometric evidence also illustrated the strong immigrant preference effect for their home country products. The author has thus concluded that the preference similarity mechanism is seen to work in the India GCC context despite the violation of is crucial assumption of income similarity. Overall, the study brings out the importance of migrant population as a unique source of advantage for the India's export to the region.

Hussain (2008) has explained that the two components, movement of labour and transfer of energy resources, have been two significant complementary pillars which sustained the indo-GCC economic relations into new era of post- 1990 which is marked by globalization, liberalization and privatization. the author has concluded that these two component which most of the time seem mutually reinforcing upon each other prepared the level playing field for exploring, expanding and boosting our existing relations in new fields such as finance , service sector , technology transfer, IT, education , than confining only to the two elements labour and energy resources . the author has suggested that it is utmost important for India to engage, develop and expand its relation with the GCC countries in more diversified fields at least until India is able to discover new sources or destinations of energy which are relatively stable and secured . the region is very significant foe India; it source more than 65percent of oil it consumes, receives approximately $19-20 billion remittances remitted by more than 5 million expatriates living and working there , its non –oil trade has now touched approximately more than 50 billion . the author has further argued that besides this, strategically the region is very crucial for India to maintain its communication links with the Europe and further , the sea routes are life line of Indian maritime trade and energy as more than 65 percent trade passes through the

same region. From these factors the study emphasizes a deeper engagement with the GCC countries in a more affirmative manner than what has been in the earliest decades.

Pant (2009) has underlined the fact that as a group, the GCC is India's second largest trading partner. It is the single origin of imports into India and the second largest destination for exports from India. Bilateral trade between India and the UAE is valued at $14 billion having tripled over the last five years. The author has opined that the global financial meltdown and the specter of recession in the us and the Europe is further promoting India to turn to gulf states sitting on huge resources looking for investment opportunities. The GCC countries remain a major destination for Indian investment even as India is making a concerted attempt to encourage GCC investment in India. India is hoping that major GCC state such as Saudi Arabia, UAE and Oman would participate in India's planned expansion of infrastructure. Energy is clearly the driving force in the gulf India relations. Saudi Arabia is the chief supplier of oil to India's booming economy. The GCC countries supply 45 percent of India's petroleum requirements. Along with the Saudi who are responsible for a quarter other major suppliers are Kuwait and the UAE. The revival of trade and the investment between the gulf and India, featuring large movements of goods and capital, is founded on the search for energy sufficiency, a new security landscape and very rapid economic growth.

Oommen and Imam (2010) have examined that in the last five years many dignitaries visited GCC countries including the past President Pratibha Singh Patil, Prime Minister Dr Manmohan Sing, and current Finance Minister P Chidambaram, former External Affairs Minister Pranab Mukherjee, Deputy Chairman of Planning Commission Montek Singh Ahluwalia to strengthen both political and economic relations. All these efforts have made India the number one trade partner of GCC. Indians are the number one expatriate community in every country of GCC and sent an estimated annual remittance of over $32 billion. India-GCC relationship has a turnover of $180 billion and over half- a-million; Gulf nationals visit India every year which has excellent air connectivity.

Habibi (2011) has analyzed the oil-rich Arab countries of the Gulf Cooperation Council (GCC) have rapidly expanded their economic relations with Asian countries recently, particularly China and India. The main reason behind this development is that the regions

complement each other in several dimensions. China and India are the fastest-growing, oil-consuming nations in the world, while GCC countries have the largest proven deposits of oil and gas. The GCC is interested in China and India as reliable oil customers over the long-run and the latter look at the GCC as reliable suppliers of oil and gas. The two regions are also attracted to each other because both are enjoying strong economic growth and offer many investment opportunities to the other. It is expected that GCC economic relations with China and India will grow stronger in the coming decades and serve as a good example of South–South economic cooperation for other developing countries.

Pradhan (2011) has explained that the conflict between Iran and the GCC countries has severe regional implications for India. Issues like energy security, dealing with the USA in the Gulf, Chinese influence in the region, developments in Iraq, are all pressing issues which demand immediate engagement. The growing Indian interests and influence in the region should be complemented with a sound policy of dealing with the major players, which remains a huge political and diplomatic challenge. Dealing with the USA in the Gulf is a political and strategic challenge while China primarily remains an economic rival. Any conflict in the Gulf region in the past has had a negative impact on the supply and price of oil from the Gulf. Iran has time and again threatened to close the Strait of Hormuz in case of an attack on the country. He suggests that a peaceful and stable Gulf region is in India's interest and India needs to carefully nurture its policies in the region.

Rishabh and Ranjan (2012) have explained India-GCC trade relations and the geographical distribution of India's trade and its changing trade pattern in the last two decades. It has been found that the two-way Indo-GCC trade is around US$ 90 billion, the average growth of which over the past few years has been around 40% per annum. They also discussed how GCC economies are increasingly integrating with the emerging economies especially with those in Asia. This has provided an added reason for India-GCC trade relations to strengthen. India has gradually widened its trade basket even though there is evidence of increasing concentration especially in imports. This indicates a potential in trade deepening that is yet to be realized.

Das and Pradhan (2014) have examined India's trade relations with Gulf region comprising six members of the Gulf Cooperation Council (GCC) - namely, Bahrain, Kuwait,

Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)-Iran and Iraq. He mentioned that the bilateral trade of India with GCC has increased USD 100 billion, but India's export basket continues to be concentrated to few traditional items. The remarkable economic performance of India since 1990s has significant impact on trade with the Gulf region. He further provides the quantitative measures to trade integration between the India and the Gulf region, and also highlight the policy catalysts for the trade promotion.

Pardhan (2009) has examined that Indian presence in the gulf region is civilizational which has developed into a vibrant relationship over the years, primarily based on a complementary abundance of entrepreneurial skill and wealth. With the emergence of India as a large economic power in recent years and simultaneously the gulf region witnessing spectacular economic growth, economic trends are reinforcing mutual interdependence. While India's economic presence in the region has transformed from barter exchange between merchants and Indian human capital foiling the gulf's-oil-industrial development, India's political presence has remained more or less subded. .the author has suggests that the growing economic presence of India in the gulf and the gulf's new geo-economic realities provide the platform to synergize complementarities into multi- pronged stable relations. the relationship between the two regions has been in focus in the evolving interdependence centering on energy –economy dynamics and changed geopolitical environment in the aftermath of the 9/11 attacks.

3. RELEVANCE OF THE STUDY

Export plays an important role in an economy, which promotes the growth and development of a country. GCC is a capital rich region needs to invest in other countries and on the other hand, India is a capital deficit region which requires investment. GCC has vast potential as India's major trade and investment partner for the future. India's exports to GCC were US$ 51.05 billion in 2012-2013 and bilateral two-way trade during this period was US$ 159.15. Since 2009 UAE among all GCC countries has became the main destination for India's export. India's main export items to UAE are: gems and jewellary, precious metals, minerals, food items, textiles, and machinery and engineering products and chemicals. In 1970's India- UAE trade was estimated at US$180 million per annum, and in 2012-2013 it was estimated US$75 billion and due to this rapid increase in trade .The bilateral trade benefits both the countries mutually. Lot of

research work has been done on the trade relations between India and GCC .These studies mostly gave importance to the imports of India from GCC. But no study has explored the analydia's overall export competitiveness with GCC countries. Hence there is a need of this study to assess the growth, to examine the composition and direction of India's export to GCC and
also to analyze the competitiveness and diversification of India's export to GCC. This study is based on four methods i.e. exponential function, Hirschman concentration index, percentage, and Constant market share model. With the help of these methods, we analyze India's overall export growth, composition and competitiveness with GCC.

4. TENTATIVE OBJECTIVES OF THE STUDY

1. To assess the growth of India's exports to GCC.
2. To examine the composition and direction of India's exports to GCC
3. To analyze the competitiveness and diversification of India's exports with GCC.
4. To suggest some policy measures for improving India's export performance with GCC.

5. RESEARCH METHODOLOGY

An analysis of India's export performance with GCC is done on the secondary data and this study will be mainly confined to the period starting from 2000 to 2014.The growth of India's exports to GCC will be analyzed by using exponential function.

$$G = \{\text{antilog } (\log b)-1\}*100$$

The composition and direction of India's export to GCC will be analyzed with the help of percentage and ratio methods over the time period. The trend growth rate of India's exports with GCC will be analyzed by Hirschman concentration index. Hirschman concentration index will be calculated to estimate the concentration level of export basket of India to GCC.

The formula of Hirschman concentration index is:

Hj = sqrt [sum (xi / Xt)2]

Where,

Sqrt Stands for square root

X_i Stands for exports of product i from India (reporter country)

X_t Stands for total exports of India (reporter country)

The competitiveness of India's exports with GCC will be analyzed by using the constant market share model (CMS).

The constant market share model:-

The CMS model has been first used by Tyszynski (1951) and then by Baldwin (1958), spiegeeglas (1959) and naya (1967). The model has been improved by leamer and stern (1970) and critically been reviewed by Richardson (1971a, 1971b) and recently been embellished by fagerberg and sollie (1987).

The CMS model decomposes the observed export growth into two main categories- structural effect and the residual competitiveness effect. The structural effect i.e. the commodity composition effect and market distribution effect, and the residual competitiveness effect, which encompasses both the price and non- price competitiveness of exports. It tried to explain the deviation between actual export growth and export growth estimated on the assumption that each export flow grows in accordance with import market. Exports are differentiated on the basis of the commodities-wise and markets-wise. The exports flows, both the commodity-wise and market-wise, are treated independent of each other.

The main equation of the CMS model in terms of growth rates:

$$\Delta X = \sum_{i=1}^{n} rX_i + \sum_{i=1}^{n} r_i X_i - \sum_{i=1}^{n} rX_i + \sum_{i=1}^{n}\sum_{j=1}^{n} r_{ij} X_{ij} - \sum_{i=1}^{n} r_i X_i + \Delta X - \sum_{i=1}^{n}\sum_{j=1}^{n} r_{ij} X_{ij}$$

ΔX = change in country's exports

r = percentage increase in total world (excluding India) exports from period 1 to period 2

ri= percentage increase in world (excluding India) exports of commodity i from period 1 to period 2

rij= percentage increase in world (excluding India) exports of commodity i to region j from period 1 to period 2

Xi = India's exports of commodity i to the rest of the world in period 1

Xij= India's exports of commodity i to region j in period 1.

DATA SOURCE

The study is entirely based on secondary data. The study is mainly confined to the period starting from 2000 to 2014. The data will be collected from the following sources:

1. Monthly Statistics of Foreign Trade of India, Directorate General of Commercial Intelligence and Statistics (DGCI&S);
2. Balance of Payments Statistics Yearbook, International Monetary Fund (IMF);
3. Direction of Trade Statistics Yearbook, IMF;
4. Handbook of Statistics, UNCTAD;
5. World Bank Report, the world bank;
6. Economic Survey, Government of India;
7. Handbook of Statistics on Indian Economy, RBI;
8. United Nations Commodity Trade Statistics Database (UN Comtrade);

6. TENTATIVE CHAPTER SCHEME

The present study has been divided into five chapters.

1. Chapter 1 deals with introduction.

2. Chapter II represents the existing literature available on India's overall export performance and India's export performance with GCC.

3. Chapter III provides the objectives and the methodology of the study

4. Chapter IV provides an overview of growth, composition and direction of India's export to GCC.

5. Chapter V provides the summary of conclusion and policy implications.

CHAPTER -3

DATA ANALYSIS & INTERPRETATIONS

This chapter talks about empirical studies of trade (especially about exports) using the data which has been collected from relevant sources as mentioned in chapter two. The extracted data has been analyzed in four broader dimensions they are, study of growth of India's export to GCC, composition and direction of India's export to GCC and finally the competitiveness and diversification of India's export with GCC.

THE GROWTH & DIRECTION OF INDIA'S EXPORT TO GCC (2000-2014)

An analysis of the growth and direction of India's exports to GCC for last 14 years (2000-2014) is entirely based on secondary data and this basic data has been collected from the monthly statistics of foreign trade of India. The export of India to GCC has been studied first then subsequently comes to the study of imports. The below table 4.1 shows the value of India's overall exports as well as the value of India's export to GCC from 2000 to 2014.

India and GCC trade relations experienced various changes during 2000-2014. Table 4.1 depicts the value of India's exports to the GCC increased from 3,906.48 million (US$) in 2000-2001 to 48,221.20 million (US$) in 2013-2014, whereas India's overall export increased from 44,560.29 million (US$) in 2000-2001 to 314,405.30 million (US$) in 2013-2014. India's exports to GCC was growing because of the agreement (FTA) signed between two. This agreement was signed in New Delhi on 25 august 2004. This agreement explores the probability of a free trade between them especially from 2004 to onwards. A Free trade agreement (FTA) increased the economic ties between the two countries. It also helped to provide the greater growth opportunities for both the countries .The FTA abolished tariff and non –tariff barriers in the trade and simplifying customs procedures. Table 3.1 shows that during 2009-2010, India's export was decline due to the global financial crisis. There was a minor decline in India's export as well as in overall India's export during 2009-2010 (table 4.1).

The India's overall imports and India's imports from GCC was increased enormously from 2000-2014. The value of India's import from GCC increased from

1,680.67million us$ in 2000-2001 to 101,799.42 million US$ in 2013-2014. While the value of overall imports increased from 50,536.45 million US$ in 2000-2001 to 450,199.79 in the same period.(table 3.2) In real terms India's import grew at a much higher rate than that of export from 2000-2001 to 2013-2014. Overall imports grew at a double rate than that of the overall exports. In case of GCC, growth rate of imports was more than that of the exports . The growth rate of GCC was 14. 09 percent, which was marginally higher than that of the overall exports, i.e 7.99 percent. Thus, it can be concluded that the difference in the growth rates of India's export to GCC and overall export was marginal.

GROWTH, DIRECTION, AND STRUCTURE OF TRADE

Table 3.1

India's overall exports and exports to the GCC –countries (USD MILLION)

Year	Overall	GCC	UAE	Saudi Arabia	Bahrain	Kuwait	Qatar	Oman
2000-2001	44,560.29	3,906.48	2,597.52	822.94	78.67	199.11	63.63	144.62
2001-2002	43,826.72	3,798.06	2,491.79	826.43	75.59	206.25	49	148.99
2002-2003	52,719.43	4,913.04	3,327.48	940.74	99.54	250.56	96.1	198.61
2003-2004	63,842.55	7,067.03	5,125.58	1,123.31	111.63	319.09	128.44	258.99
2004-2005	83,535.94	9,814.93	7,347.88	1,412.06	156.46	421.44	209.42	267.67
2005-2006	103,090.53	11,775.30	8,591.79	1,809.77	192.25	513.73	259.34	408.43
2006-2007	126,414.05	16,374.38	12,021.77	2,590.77	184.52	614.81	331.53	630.97
2007-2008	163,132.18	21,760.24	15,636.91	3,711.16	252.47	681.54	538.73	939.43
2008-2009	185,295.36	32,125.30	24,477.48	5,110.38	286.52	797.5	674.37	779.04
2009-2010	178,751.43	30,479.97	23,970.40	3,907.00	250.21	782.45	536.97	1,032.93
2010-2011	249,815.55	42,472.25	33,822.39	4,684.40	651.83	1,856.01	375.39	1,082.24

2011-2012	305,963.92	45,360.29	35,925.52	5,683.29	439.99	1,181.41	807.95	1,322.13
2012-2013	300,400.58	51,053.65	36,316.65	9,785.78	603.47	1,061.08	687.18	2,599.49
2013-2014	314,405.30	48,221.20	30,520.42	12,218.95	639.36	1,061.14	969.06	2,812.27
TOTAL	2,215,753.83	329,122.12	242,173.58	54626.98	4022.51	9946.12	5727.11	12625.81

Source: Monthly Statistics of Foreign trade

Table 3.2

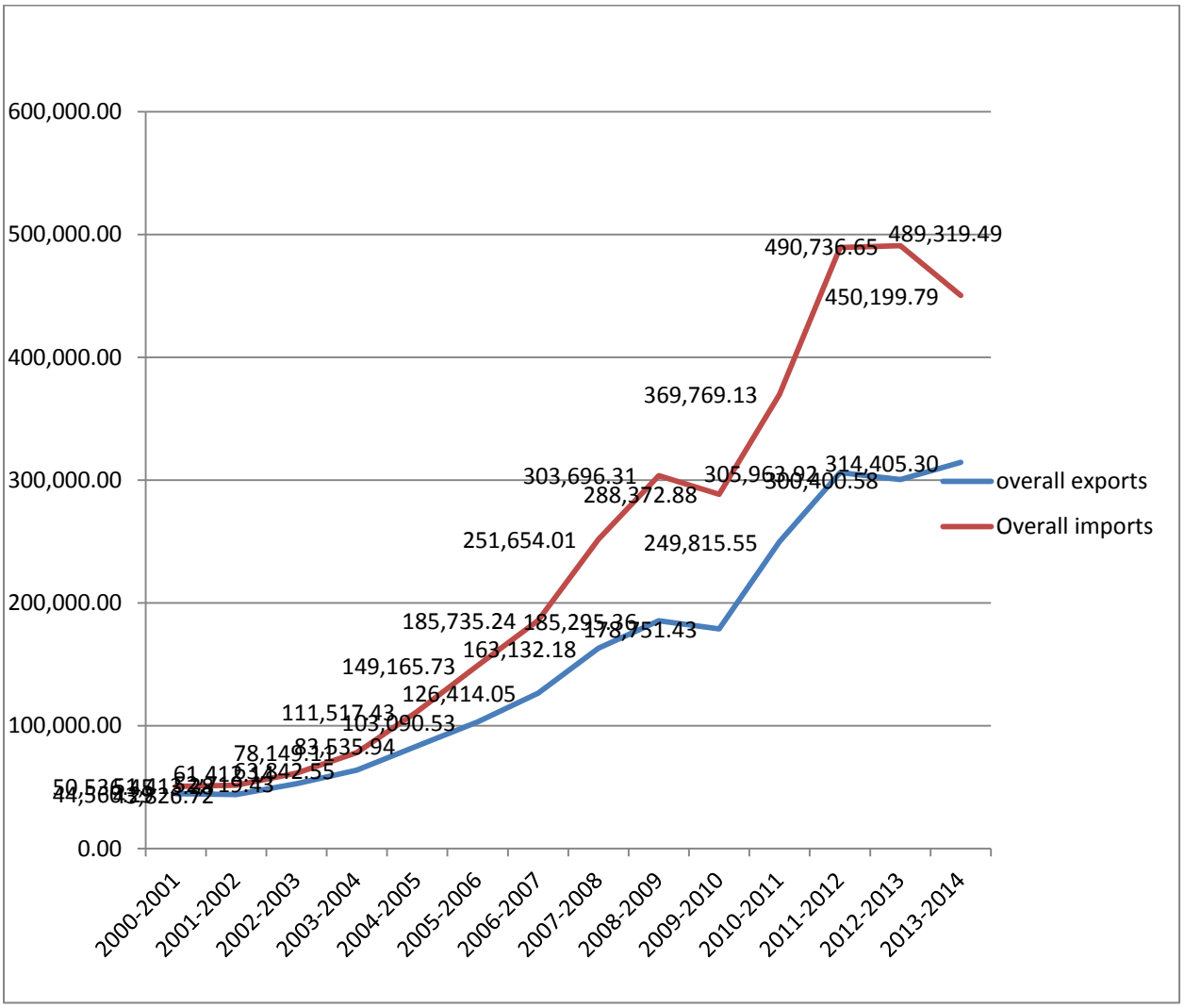
India's overall imports and imports from GCC –countries (in US$ Million)

Year	Overall	GCC	UAE	Saudi Arabia	Bahrain	Kuwait	Qatar	Oman
2000-2001	50,536.45	1,680.67	658.98	621.12	202.53	112.66	79.04	658.98
2001-2002	51,413.28	1,686.95	915.09	463.99	134.01	73.69	91.69	915.09
2002-2003	61,412.14	1,889.25	956.99	504.72	121.13	179.5	113.07	956.99
2003-2004	78,149.11	3,252.53	2,059.84	737.77	74.52	142.48	187.05	2,059.84
2004-2005	111,517.43	7,063.53	4,641.10	1,301.15	121.87	305.94	672.85	4,641.10
2005-2006	149,165.73	7,805.04	4,354.08	1,632.34	189.56	461.85	901.62	4,354.08
2006-2007	185,735.24	30,994.03	8,655.28	13,355.33	471.23	5,993.23	2,060.08	8,655.28
2007-2008	251,654.01	45,089.79	13,482.61	19,470.30	835.42	7,704.25	2,455.75	13,482.61
2008-2009	303,696.31	59,504.91	23,791.25	19,972.74	1,442.82	9,593.74	3,498.91	23,791.25
2009-2010	288,372.88	53,497.43	19,499.10	17,097.57	502.86	8,249.49	4,648.52	19,499.10
2010-2011	369,769.13	74,915.28	32,753.16	20,385.28	641.25	10,313.64	6,819.87	32,753.16
2011-2012	489,319.49	102,181.94	36,756.32	31,817.70	905.98	16,439.64	12,916.35	36,756.32

2012-2013	490,736.65	108,092.06	39,138.36	33,998.11	664.66	16,588.13	15,693.08	39,138.36
2013-2014	450,199.79	101,799.42	29,019.82	36,403.65	563.24	17,153.55	15,707.99	29,019.82
TOTAL	3,331,677.44	599,452.83	216681.98	197761.77	6871.08	93311.79	65845.87	18980.36

Source: Monthly Statistics of Foreign Trade of India

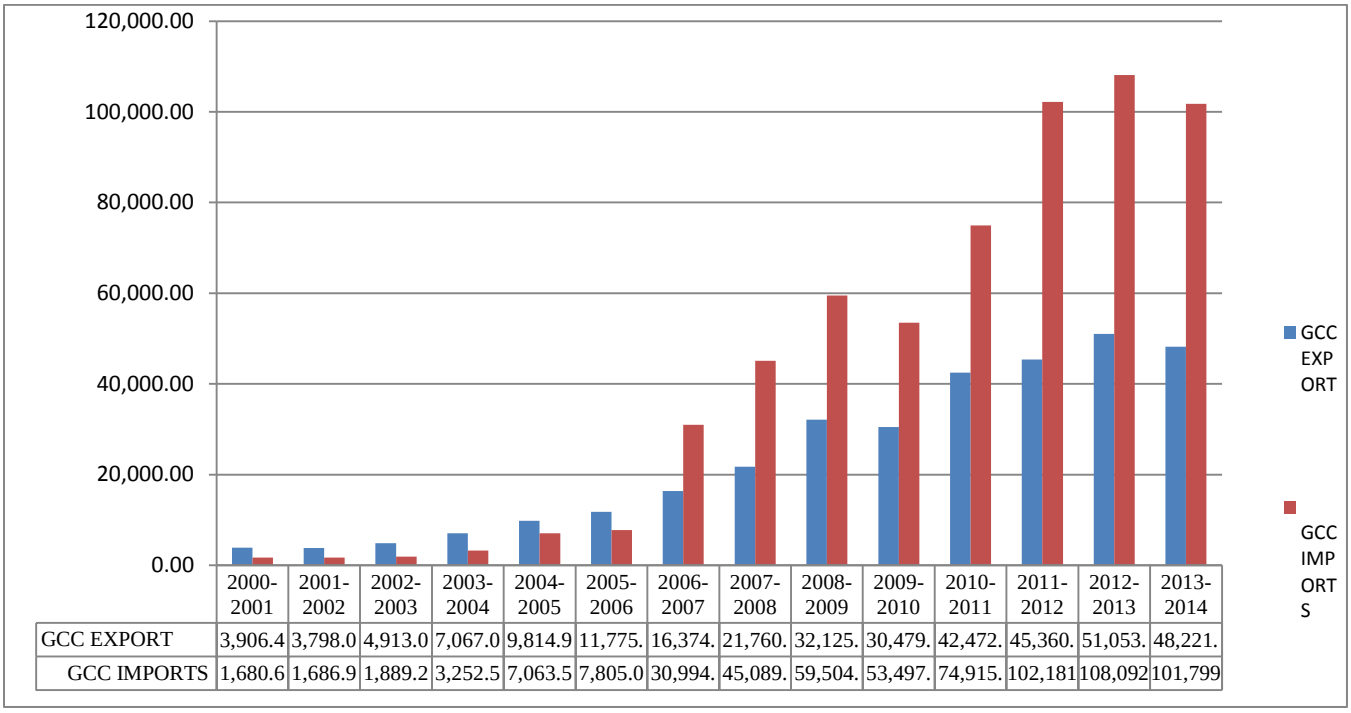
FIGURE 4.2 (a) : INDIA'S OVERALL EXPORT AND IMPORTS (2000-01 TO 2013-2014)



Source: Monthly Statistics of Foreign Trade of India

The above figure 4.2(a) depicts the value of India's overall export and imports.

FIGURE 4.2(b) : INDIA'S EXPORT AND IMPORTS TO GCC COUNTRIES



	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
GCC EXPORT	3,906.4	3,798.0	4,913.0	7,067.0	9,814.9	11,775.	16,374.	21,760.	32,125.	30,479.	42,472.	45,360.	51,053.	48,221.
GCC IMPORTS	1,680.6	1,686.9	1,889.2	3,252.5	7,063.5	7,805.0	30,994.	45,089.	59,504.	53,497.	74,915.	102,181	108,092	101,799

Source: Monthly Statistics of Foreign Trade of India

The above figure 4.2 (b) shows the values of India's export and imports to and from GCC. From the above it is clear that from 2000-2001 to 2005-2006 India's exports was more than the imports but after that imports was increased than that of the exports of India. In 2013 -2014, India's export was US$ 48,221.20 million and imports was US$ 101,799.42 million.

Table 3.3

Annual Percentage Compound Growth Rate of Exports (2000-2001 to 2013-2014)

(BASE YEAR 2011-2012)

		Exports
a.	Overall	7.99
b.	GCC	14.09
	UAE	14.76
	Saudi Arabia	12.65
	Bahrain	8.44
	Kuwait	6.29
	Qatar	13.19
	Oman	14.95

Source: Monthly Statistics of Foreign Trade of India

The above table 3.3 shows the annual percentage compound growth rate of exports .This study uses the 2011-2012 as a base year for this calculation. From the above it is clear that the annual percentage compound growth rate of overall export was 7.99 percent from 2000-2014.within the GCC growth rate of export with UAE and Oman were the highest i.e. 14.76 percent and 14.95 percent respectively. However, exports to Kuwait registered the less growth, i.e. 6.29.Thus, India's foreign trade with GCC grew at a faster rate than that of the overall foreign trade in terms of exports. Within GCC exports grew faster with UAE, Qatar. Oman and Saudi Arabia.

Table 3.3(a)

Annual Percentage Compound Growth Rate of Exports (2000-2001 to 2013-2014)

(BASE YEAR 2011-2012)

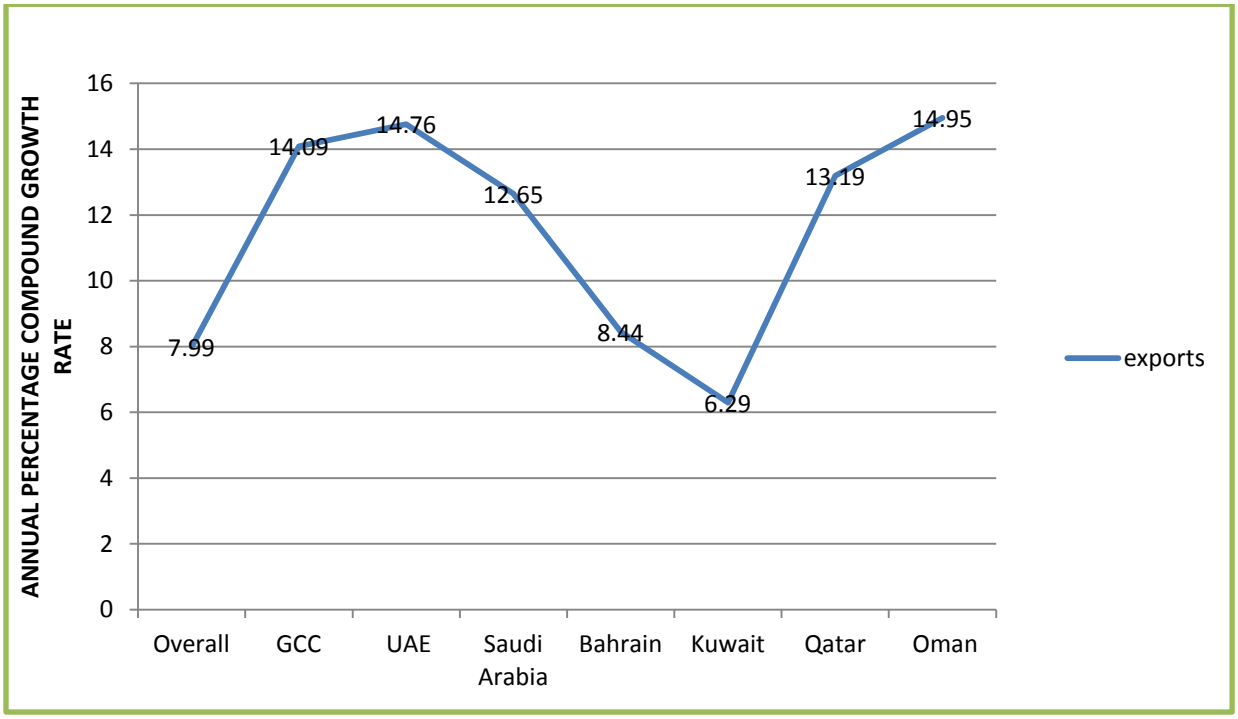


Table 3.4 Export as percentage of imports: GCC and overall

YEAR	Overall	GCC	UAE	Saudi Arabia	Bahrain	Kuwait	Qatar	Oman
2000-2001	88.17	232.44	394.17	132.49	38.84	176.74	80.50	21.95
2001-2002	85.24	225.14	272.30	178.11	56.41	279.89	53.44	16.28
2002-2003	85.85	260.05	347.70	186.39	82.18	139.59	84.99	20.75
2003-2004	81.69	217.28	248.83	152.26	149.80	223.95	68.67	12.57
2004-2005	74.91	138.95	158.32	108.52	128.38	137.75	31.12	5.76
2005-2006	69.11	150.87	197.33	110.87	101.42	111.23	28.76	9.38
2006-2007	68.06	52.83	138.90	19.40	39.16	10.26	16.09	7.29
2007-2008	64.82	48.26	115.98	19.06	30.22	8.85	21.94	6.96
2008-2009	61.01	53.99	102.88	25.59	19.86	8.31	19.27	3.27
2009-2010	61.99	56.97	122.93	22.85	49.76	9.48	11.55	5.29
2010-2011	67.56	56.69	103.26	22.98	101.65	18.00	5.50	3.30
2011-2012	62.53	44.39	97.74	17.86	48.57	7.19	6.26	3.59
2012-2013	61.21	47.23	92.79	28.78	90.79	6.40	4.38	6.64
2013-2014	69.84	47.37	105.17	33.57	113.51	6.19	6.17	9.69
TOTAL	1002.00	1632.47	2498.31	1058.73	1050.54	1143.82	438.65	132.76

Source: Monthly Statistics of Foreign Trade of India

The table 3.4 depicts the exports as a percentage of imports: GCC and overall. The imports by a country must be in such a way that the overall import spending is within the safe limits set by the

export-earnings in order to avoid undesirable external borrowings. However, in the case of India the mismatch between the exports and imports has always been there. The ratio of overall value of exports to overall imports slightly increased from 2000-2001 to 2003-2004 but after that there was a decline from 2004-2005 to 2009-2010 and again a slight increased or in some year there was again a decline in overall value of exports to overall imports from 2010-2011 and 2012 - 2013 respectively. In case of GCC it declined substantially from 232.44 percent to 47.37 percent from 2000-2001 to 2013-2014.it means that in 2013-2014 , India was in a position to met her 69.84 percent of overall bill of imports through the earnings from the exports .but GCC , exports were just sufficient to pay off 47.37 percent of bill of imports. Thus, the imbalance in values of exports and imports was higher with GCC than India's overall foreign trade .within GCC , the ratio of value of exports to imports was continuously declined with four countries, i.e suadi Arabia, Kuwait, Qatar and oman and as a consequences of that in 2013-2014 exports just covered between 33.57 percent to 9.69 percent of the imports of these countries. But for the other countries their ratio remained near to the overall ratio of India (table3.4). Thus India practiced adverse balance of trade every year with GCC and value of imports was large and doubled than the exports to GCC.

ROLE OF GCC MARKET

India's trade with GCC revealed a startling expansion during the period under study (2000-2014) .GCC emerged as a largest trading partner of India. he trade between GCC and India grew due to good political and institutional relations between them . GCC provided a good market to India for their exports. The share of GCC in India's overall exports increased from 8.77 percent in 2000-2001 to 17.00 percent in 2012-2013 and after that it declined to 15.34 in 2013-2014. Within GCC, the share of UAE rose from 5.83percent in 2000-2001 to 13.54 percent in 2010-2011. There was a huge fluctuation in the share UAE in India's overall exports. Sometimes it increased and sometimes it decreased. The annual average percentage share of GCC in India's overall export was 13.28 percent and the annual average percentage share of UAE , Saudi Arabia, Bahrain , Kuwait, Qatar, Oman were 9.70percent, 2.21percent, 0.18percent, 0.46percent ,0.24percent and 0.49 percent respectively. The share of the countries declined in India's overall export (table 3.5). on the other hand the share of GCC in India's overall imports increased from

3.33 percent in 2000-2001 to 22.61 percent in 2013-2014.within GCC, the share of countries (UAE, Saudi Arabia, Kuwait, Oman, Qatar, Bahrain) increased from 2000-2001 to 2013-2014 as follows: UAE 1.30 to 6.45 percent; Saudi Arabia 1.23 to 8.09 percent; Kuwait 0.22, Qatar 0.16, and Oman 0.01 to 3.81 percent,3.49 percent,0.66 percent respectively. But the share of Bahrain declined from 0.40 percent to 0.13 percent.(table 4.6). The annual average percentage share of GCC in India's overall imports was 13.14 percent and the annual average percentage share of UAE , Saudi Arabia, Bahrain , Kuwait, Qatar, Oman were 4.98percent, 4.33percent, 0.22percent, 1.93percent ,1.29 percent and 0.39 percent respectively. The share of the countries declined in India's overall export (table 3.6).

Table 3.5 Share of the GCC Countries in India's overall exports (percentage)

Year	GCC	UAE	Saudi Arabia	Bahrain	Kuwait	Qatar	Oman
2000-2001	8.77	5.83	1.85	0.18	0.45	0.14	0.32
2001-2002	8.67	5.69	1.89	0.17	0.47	0.11	0.34
2002-2003	9.32	6.31	1.78	0.19	0.48	0.18	0.38
2003-2004	11.07	8.03	1.76	0.17	0.50	0.20	0.41
2004-2005	11.75	8.80	1.69	0.19	0.50	0.25	0.32
2005-2006	11.42	8.33	1.76	0.19	0.50	0.25	0.40
2006-2007	12.95	9.51	2.05	0.15	0.49	0.26	0.50
2007-2008	13.34	9.59	2.27	0.15	0.42	0.33	0.58
2008-2009	17.34	13.21	2.76	0.15	0.43	0.36	0.42
2009-2010	17.05	13.41	2.19	0.14	0.44	0.30	0.58
2010-2011	17.00	13.54	1.88	0.26	0.74	0.15	0.43
2011-2012	14.83	11.74	1.86	0.14	0.39	0.26	0.43
2012-2013	17.00	12.09	3.26	0.20	0.35	0.23	0.87
2013-2014	15.34	9.71	3.89	0.20	0.34	0.31	0.89
Annual Average	13.28	9.70	2.21	0.18	0.46	0.24	0.49

Source: Monthly Statistics of Foreign Trade of India

Table 3.6 Share of the GCC Countries in India's overall Imports (percentage)

Year	GCC	UAE	Saudi Arabia	Bahrain	Kuwait	Qatar	Oman
2000-2001	3.33	1.30	1.23	0.40	0.22	0.16	0.01
2001-2002	3.28	1.78	0.90	0.26	0.14	0.18	0.02
2002-2003	3.08	1.56	0.82	0.20	0.29	0.18	0.02
2003-2004	4.16	2.64	0.94	0.10	0.18	0.24	0.07
2004-2005	6.33	4.16	1.17	0.11	0.27	0.60	0.02
2005-2006	5.23	2.92	1.09	0.13	0.31	0.60	0.18
2006-2007	16.69	4.66	7.19	0.25	3.23	1.11	0.25
2007-2008	17.92	5.36	7.74	0.33	3.06	0.98	0.45
2008-2009	19.59	7.83	6.58	0.48	3.16	1.15	0.40
2009-2010	18.55	6.76	5.93	0.17	2.86	1.61	1.21
2010-2011	20.26	8.86	5.51	0.17	2.79	1.84	1.08
2011-2012	20.88	7.51	6.50	0.19	3.36	2.64	0.68
2012-2013	22.03	7.98	6.93	0.14	3.38	3.20	0.41
2013-2014	22.61	6.45	8.09	0.13	3.81	3.49	0.66
Annual Average	13.14	4.98	4.33	0.22	1.93	1.29	0.39

Source: Monthly Statistics of Foreign Trade of India

Table 3.7 Share of India in the GCC Overall Foreign Trade

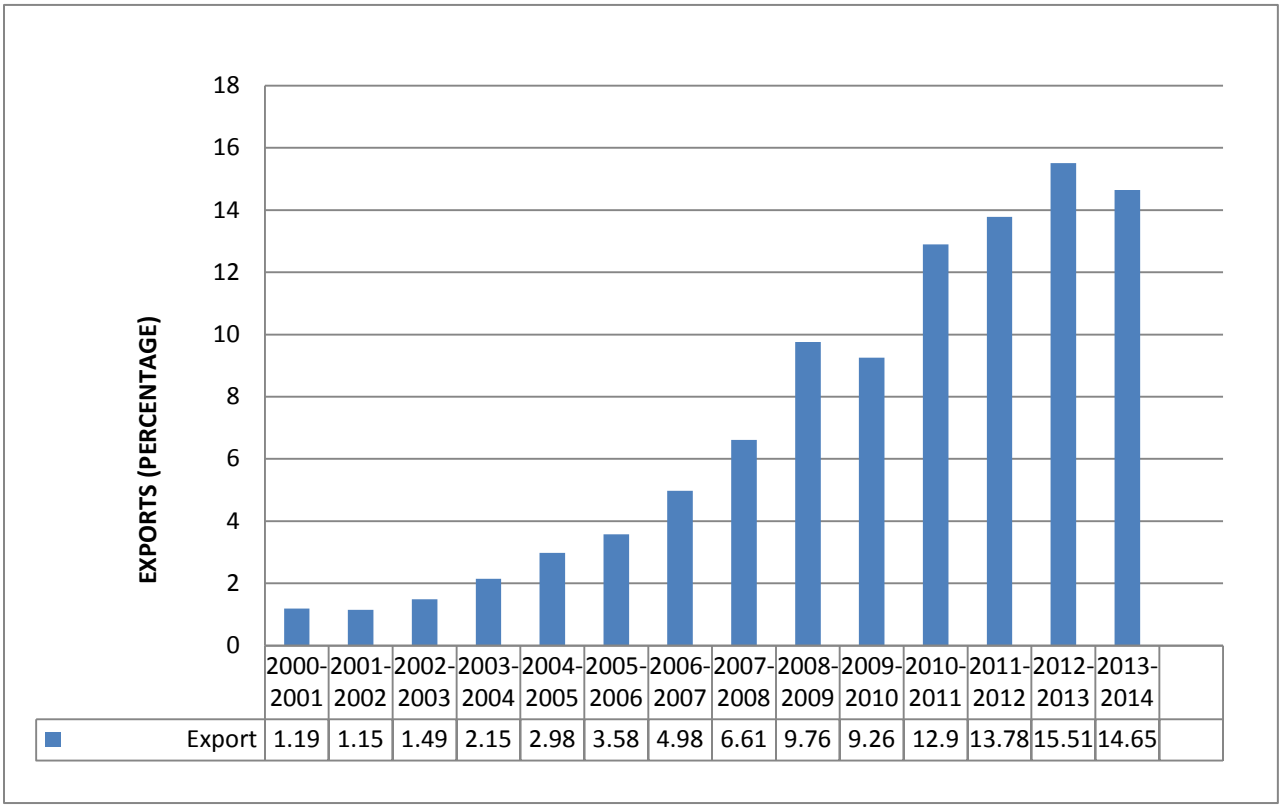
(Percentage)

Year	Export
2000-2001	1.19
2001-2002	1.15
2002-2003	1.49
2003-2004	2.15
2004-2005	2.98
2005-2006	3.58
2006-2007	4.98
2007-2008	6.61
2008-2009	9.76
2009-2010	9.26
2010-2011	12.90
2011-2012	13.78
2012-2013	15.51
2013-2014	14.65

Source: Monthly Statistics of foreign trade of India

Table 3.7 reveals the share of India in GCC overall exports increased from 1.19 percent in 2000-2001 to 14.65 percent in 2013-2014.thus there was a huge gap in the mutual dependence of GCC and India. There was a small decline in the share of India in GCC overall foreign trade because of the global crisis after that it again increased.

FIGURE 3.7 Share of India in the GCC Overall Foreign Trade (Percentage)



	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Export	1.19	1.15	1.49	2.15	2.98	3.58	4.98	6.61	9.76	9.26	12.9	13.78	15.51	14.65

Source: Monthly Statistics of foreign trade of India

This graph demonstrate the same as we explain above through table 3.7.

The above figure depicts India's export basket to the GCC is relatively diversified, though, dominated by India's exports to the UAE.

Composition of India's export to GCC

The usefulness of foreign trade depends upon the structure and pattern of trade which is determined by the nature of commodities imported and exported by a country. An analysis of the composition of India's exports to the Gulf region based on data from monthly statistics of foreign trade suggests that five sectors at HS 2-digits. The composition of India's export to GCC is calculated or analyzed with the help of percentage method. These are 27 - Mineral fuels, oils, distillation products, etc; 71- Natural or cultural pears, precious or semi-precious stones etc, 10-Cereals; "85- Electrical, electronic equipment; and 89- Ships, Boats and floating structures. A

whole range of sectors with medium and low shares accounts for the rest. Table 3.8 depicts

RANK	HS CODE	PRODUCT ITEMS	VALUES (USD MILLIONS)
1.	27	.MINERAL FUELS,MINERAL OILS	13,447.87
2.	71	NATURAL OR CULTURALPEARS, PRECIOUSOR SEMIPRECIOUS STONES.	12,856.74
3.	10	CEREALS.	2,367.02
4.	85	.ELECTRICAL MACHINERY AND EQUIPMENT	1,593.54
5.	89	SHIPS, BOATS AND FLOATING STRUCTURES.	1,509.93

India's top five export items to the Gulf region in the year 2000-2014.

Table 3.8: FIVE INDIA'S EXPORT COMMODITIES OR ITEMS TO GCC 2000-2014(USD MILLION)

Source: Monthly Statistics of foreign trade of india

Table 3.9 : Percentage Share of Selected five Commodities in India's Export to GCC

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1.MINERAL FUELS,MINERAL OILS	0.79	0.165	9.203	5.78	5.56	12.32	22.80	24.93	20.34	19.13	14.52	19.29	26.99	27.89
2. NATURAL OR CULTURALPEARS, PRECIOUSOR SEMIPRECIOUS STONES.	11.82	14.78	13.97	21.67	32.29	23.07	20.51	18.84	34.49	41.22	46.73	40.76	37.13	26.66
3. CEREALS.	10.17	9.93	6.522	6.19	6.453	5.06	3.31	5.910	5.20	5.40	3.83	4.60	3.65	4.91
4.ELECTRICAL MACHINERY AND EQUIPMENT	2.53	2.55	2.55	3.13	2.36	2.76	2.95	3.354	3.72	2.81	2.98	3.39	3.10	3.30
5. SHIPS, BOATS AND FLOATING STRUCTURES.	0.01	0.10	0.44	0.64	0.39	1.52	0.49	1.88	0.70	0.72	1.48	3.39	1.37	3.13

Source: Monthly Statistics of foreign trade

Table 3.9 shows the percentage share of selected five commodities in India's export to GCC. It incuded MINERAL FUELS,MINERAL OILS, NATURAL OR CULTURALPEARS, PRECIOUSOR SEMIPRECIOUS STONES, CEREALS,.ELECTRICAL MACHINERY AND EQUIPMENT ,and SHIPS, BOATS AND FLOATING STRUCTURES. The share of these five commodities during 2013-2014 are 27.89 percent, 26.66 percent,4.91 percent,3.30 percent, and 3.13 percent respectively. From this it is concluded that share of mineral olis , minerals fuels in India's export to GCC was more than others.

Table 3.10. Percentage Share of Selected commodities in Indian Export to Bahrain

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. MINERAL FUELS, MINERAL OILS.	0.01	0.03	0.04	0.05	0.03	9.84	0.04	0.88	6.68	0.92	1.20	5.05	13.88	35.87
2. INORGANIC CHEMICALS.	0.17	0.32	0.28	0.23	0.45	0.70	0.17	3.54	1.72	6.02	45.04	13.01	23.25	5.90
3. CEREALS.	4.47	6.46	2.16	4.65	2.48	1.85	2.52	3.50	2.37	2.47	1.16	4.52	4.84	5.79
4. NUCLEAR REACTORS, BOILERS, MACHINERY.	4.49	3.23	3.16	5.20	8.16	10.80	8.65	17.13	12.36	13.80	5.24	8.45	10.56	5.44
5. ELECTRICAL MACHINERY AND EQUIPMENT.	2.30	3.21	1.66	2.91	3.76	3.11	4.31	5.22	7.44	8.03	3.77	6.78	5.44	4.60

Source: Monthly Statistics of foreign trade

The table 3.10 depicts the percentage share of selected commodities in India's export to GCC

India-Bahrain (Commodity composition)

India and Bahrain have had excellent bilateral relations for centuries. In ancient time, the Bahraini pearls were exported to India and Indian spices were imported from India. The higher standard of living and relative prosperity in Bahrain caused a dramatic increase in imports of goods and services from all over the world, including from India. (India – Bahrain bilateral

Relations, 2014). India is one of Bahraini's leading trading partners, especially for the export of oil. (P.R. Kumaraswamy, 2013) . During 2013-14 bilateral trade between the two countries stood at $16375.59 million. India's export to Bahrain was US$ 639.36 million whereas import from Bahrain was US$ 563.24 million. India's main exports to Bahrain included MINERAL FUELS, MINERAL OILS, INORGANIC CHEMICALS, CEREALS, NUCLEAR REACTORS, BOILERS, MACHINERY, ELECTRICAL MACHINERY AND EQUIPMENT. from the above it is clear that share of mineral fuels and mineral oils are higher in India's export to GCC than others.

Table3.11 Percentage Share of Selected commodities in Indian Export to Oman

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. MINERAL FUELS, MINERAL OILS.	0.01	0.07	0.55	0.39	0.64	0.59	3.21	2.29	8.02	33.09	35.94	20.27	59.56	45.75
2. NUCLEAR REACTORS, BOILERS.	8.45	7.87	8.16	22.72	16.18	9.65	13.46	9.18	11.96	9.90	10.12	5.55	4.65	6.93
3. CEREALS.	8.98	7.44	3.52	8.34	4.78	1.09	1.08	1.97	6.37	1.57	1.61	5.45	5.95	6.13
4. SHIPS, BOATS AND FLOATING STRUCTURES.	0.00	0.00	0.02	0.06	0.07	0.00	0.02	0.00	2.83	0.17	2.04	20.21	0.27	5.63
5. ELECTRICAL MACHINERY AND EQUIPMENTS.	6.24	8.30	12.40	7.49	6.08	5.72	8.59	9.09	17.14	9.07	7.92	7.20	3.86	3.91

Source: Monthly Statistics of foreign trade of India

India – Oman (commodity composition)

The table 3.11 depicts the percentage share of selected commodities in india's export to Oman from 2000-2014. The Sultanate of Oman is a strategic partner in the gulf and both the countries are depended to each other historically, geographically and culturally. India and Oman enjoy intimate and sincere relations which go back to historical maritime trade linkages. (India and Oman Bilateral Relations, 2014) Over the past ten years the bilateral trade between both the countries has skyrocketed. In 2013- 14 the bilateral trade between India and Oman was $5763.45

million which $2812.27 million were imported from India and $29,019.82 million were exported to India. The major items which were imported from India are Iron & steel, electrical equipment, plastic and ores. And the major items which were exported to India are mineral oils, mineral fuels, nuclear reactors and boilers , cereals, ships ,boats and floating structures, electrical machinery and equipments. From the above table 3.11 it is clear that the percentage share of mineral fuels and mineral oils was more than others.

.**Table 3.12 Percentage Share of Selected five commodities in Indian Export to Kuwait**

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. CEREALS.	26.29	21.26	15.07	10.47	14.17	11.76	12.13	17.64	21.06	27.80	12.95	25.07	21.04	25.20
2. NUCLEAR REACTORS, BOILERS.	3.05	3.27	2.41	3.43	4.00	6.45	8.27	8.51	5.24	3.91	30.11	8.50	7.37	7.04
3. ELECTRICAL MACHINERY AND EQUIPMENT .	1.88	2.20	2.03	2.89	2.16	3.36	3.29	4.47	7.31	5.38	2.75	5.78	7.40	7.03
4. MEAT AND EDIBLE MEAT OFFAL.	2.92	1.96	2.58	4.33	4.84	9.58	0.94	1.88	10.50	10.50	3.91	5.21	5.44	6.43
5. ARTICLES OF APPAREL AND CLOTHING ACCESSORIES.	10.06	11.68	10.96	13.25	9.07	6.28	5.62	4.10	3.75	4.80	1.63	3.49	3.82	3.61

Source: Monthly Statistics of foreign trade

India – Kuwait (commodity composition)

The above table 3.12 depicts the percentage share of five commodities in India's export to Kuwait .Centuries ago the first country which established business with Kuwait was India but as other countries started exporting goods to Kuwait then India lost its leading position. Cultural affinities, geographical proximity, historical trade links and presence of a large number of Indian expatriate in Kuwait have all sustained a long and strong relationship over the years. Both the countries continued to make the trade relations stronger than before. While Kuwait discovered oil then it started exporting Oil and pharmaceutical products to India. The major items which are

imported from India to Kuwait are Cereals, nuclear reactors, boilers, electrical machinery, meat and edible, Articles of Iron or steel. Currently, Kuwait is the second largest oil supplier to India from the GCC countries and meets about 10-12% of India's energy need. The bilateral trade between the two countries was $727.38 million in 2004-05 and in 2013-14 it has steady increased to $18218.66 million, which is a high growth rate. (Brief on India – Kuwait Trade and Economic Relations, 2013). Total exports of India to GCC During 2013 2014 was 1,061.44 us$ million and imports was 17,153.55 us$ million in 2013-2014.

Table 3.13 Percentage Share of Selected commodities in Indian Export to UAE

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. NATURAL OR CULTURED PEARLS.	17.08	21.85	19.97	29.43	42.81	31.33	27.56	25.94	44.93	52.25	58.56	51.20	52.02	41.87
2. MINERAL FUELS, MINERAL OILS	1.17	0.24	12.15	6.79	7.07	16.26	30.30	30.05	20.29	18.64	14.84	18.29	19.18	16.51
3. SHIPS, BOATS AND FLOATING STRUCTURES.	0.01	0.15	0.11	0.53	0.44	1.80	0.50	2.51	0.81	0.88	1.44	3.39	1.89	3.50
4. AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.	0.01	0.02	0.01	0.00	0.00	0.00	0.01	0.01	0.41	0.04	0.04	0.17	0.05	3.47
5. ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS.	2.46	2.37	2.04	2.77	1.99	2.38	2.31	2.69	2.60	2.19	2.38	2.71	2.49	3.39

Source: Monthly Statistics of foreign trade

India – United Arab Emirates (commodity composition)

The above table 3.13 depicts the percentage share of selected items in india's export to UAE during 2000-2014. Since 2007 till 2012 UAE was India's largest trading partner except 2011 but in this year and last year china has overtaken from UAE and China is India's largest trading partner. There have been long trading links between India and UAE. The bilateral trade relation between both the countries have strengthened and stabilized over the years. During the last year (2013-14), India's export to the UAE accounted for 9.70 percent of India's total exports and 63.29 percent of India's export to GCC countries. (Samir Ranjan Pradhan, 2006) The items

which are exported to UAE mainly are NATURAL OR CULTURED PEARLS, MINERAL FUELS, MINERAL OILS , SHIPS, BOATS AND FLOATING STRUCTURES., AIRCRAFT, SPACECRAFT, AND PARTS THEREOf, ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS. The items which are imported to India mainly are precious and semi precious stones, transport equipments, crude & petroleum products, gold & silver, pearls, electronics goods, metal ores and metal scrap. (Economics & Trade, 2014). The total export from India to UAE in 2013-2014 was 30,520.42 us$ million and imports was 29,019.82 the percentage share of natural or cultural pearls(41.87) was more than others.

Table 3.14 Percentage Share of Selected commodities in Indian Export to Saudi Arabia

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. MINERAL FUELS, MINERAL OILS.	0.02	0.02	2.59	3.69	0.10	1.37	2.70	17.48	27.21	24.70	14.96	27.68	52.49	55.92
2. CEREALS.	34.93	31.75	24.16	24.07	29.98	23.49	12.35	18.45	14.47	18.27	14.80	13.45	7.76	10.15
3. NUCLEAR REACTORS, BOILERS.	2.45	3.01	3.68	4.56	3.52	5.84	6.40	6.00	6.20	3.82	4.09	5.15	3.85	3.34
4. IRON AND STEEL	2.19	1.94	3.40	1.82	2.29	1.78	4.24	2.38	2.54	1.19	5.07	4.25	2.83	2.52
5. ORGANIC CHEMICALS	2.03	2.36	2.35	2.25	2.27	3.53	4.94	0.26	3.59	6.59	5.09	4.13	3.24	2.48

Source: Monthly Statistics of foreign trade

India – Saudi Arabia (commodity composition).

The above table 3.13 depicts the percentage share of five commodities in India's export to Suadi Arabia.

Trade and cultural links between ancient India and Arabia date back to third millennium. In 1947 after India gained independence, the formal diplomatic relations were established between contemporary India and Saudi Arabia. Relations between the two countries have strengthened

considerably owing to collaboration in regional affairs and trade. One of the largest exporters of Oil to India is Saudi Arabia and in the GCC region India's second largest trading partner is Saudi Arabia. (India – Saudi Arabia Trade Relations, 2014) Since 1990's when India liberalized economically, Saudi Arabia supplies 175 million barrels of crude oil to India which is a quarter of India's needs. In 2013-14 the total bilateral trade between India and Saudi Arabia was 48622.6 Million US$ which 12218 Million US$ were exported by India and 36403 Million US$ were imported. Main Indian export to Saudi are MINERAL FUELS, MINERAL OILS, CEREALS,NUCLEAR REACTORS, BOILERS,IRON AND STEEL, ORGANIC CHEMICALS and others are textiles, garments, basmati rice, meat and edibles, and the major imported products are organic and inorganic chemicals, fertilizers, leather, gold and oil. (India – Saudi Arabia Business Relations, 2014). The share of minerals oils and fuels (55.92) are more than others.

Table 3.14 Percentage Share of Selected Commodities in India's Export to QATAR

Commodity	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
1. SHIPS, BOATS AND FLOATING STRUCTURES.	0.00	0.00	18.60	13.93	1.74	0.39	2.29	2.66	0.00	0.00	0.00	1.14	0.00	27.74
2. CEREALS.	3.80	4.49	2.86	2.09	3.02	2.14	2.09	4.02	2.86	1.39	2.87	4.96	17.88	9.20
3. NUCLEAR REACTORS, BOILERS.	7.25	7.18	11.58	14.83	5.14	15.84	10.24	11.54	20.43	34.95	9.62	4.65	9.20	7.13
4. ELECTRICAL MACHINERY AND EQUIPMENT.	5.69	8.00	2.65	6.31	7.99	9.15	20.22	18.50	16.47	7.38	22.27	9.52	9.23	6.82
5. ARTICLES OF IRON OR STEEL	3.50	5.71	6.95	4.64	5.68	13.74	8.26	6.67	12.39	6.86	9.60	7.07	10.02	5.86

Source: Monthly Statistics of foreign trade

India – Qatar (commodity composition)

The above table 3.13 depicts the percentage share of five commodities in India's export to Qatar. There are friendly relations between India and Qatar which has a long history that marked

by people to people contacts and commercial ties. Recently, both the countries have been trying to build a stronger relation and expand their bilateral relations. The major Items which India exports to Qatar are SHIPS, BOATS AND FLOATING STRUCTURES, CEREALS, NUCLEAR REACTORS, BOILERS, ELECTRICAL MACHINERY AND EQUIPMENT, ARTICLES OF IRON OR STEEL and others are Transport equipment, food products, textiles, minerals and ores..The main items which Qatar exports to India are mineral fuels, mineral oils, plastic and articles, inorganic chemicals, organic chemicals, earth and stone, lime and cement, Aluminum and articles. The total export of India to Qatar in 2013-2014 was 969.06 and imports from Qatar was 15,707.99. The percentage share india's export of ships, boats and floating structures(27.75) was more than other commodities.

The trend growth rate of India's exports with GCC

The trend growth rate of India's export with GCC will be analyzed by Hirschman concentration index. Hirschman concentration index will be calculated to estimate the concentration level of export basket of India to GCC.

Export Diversification (or Concentration) Index

Export diversification is held to be important for developing countries because many developing countries are mostly dependent on the few primary commodities for their export earnings. Unstable prices for these commodities may subject a developing country exporter to serious terms of trade shocks. The concentration index or Hirschman index (H), which is calculated using the shares of all two-digit products in a country's export:

$$Hj = \text{sqrt} [\text{sum} (xi / Xt)2]$$

Where xi is country j's export of product i(at the two-digit HS classification) and xt is country j's total exports. Thus, its minimum value is zero, for a country with no exports. The lower is this

index; the less concentrated are a country's exports. And if the value is near to one than it indicates the more concentration or diversification .

Table 3.15 HIRSCHMAN CONCENTRATION INDEX OF INDIA'S EXPORT TO GCC COUNTRIES

Year	GCC	UAE	Saudi Arabia	Kuwait	Oman	Bahrain	Qatar
2000-2001	0.24	0.27	0.38	0.31	0.21	0.32	0.32
2001-2002	0.24	0.27	0.35	0.27	0.21	0.29	0.19
2002-2003	0.23	0.27	0.29	0.24	0.24	0.30	0.26
2003-2004	0.27	0.33	0.29	0.23	0.28	0.28	0.25
2004-2005	0.35	0.45	0.33	0.24	0.26	0.26	0.36
2005-2006	0.29	0.37	0.29	0.22	0.36	0.25	0.29
2006-2007	0.33	0.43	0.28	0.23	0.35	0.25	0.30
2007-2008	0.34	0.41	0.31	0.26	0.39	0.25	0.30
2008-2009	0.41	0.50	0.34	0.28	0.28	0.22	0.32
2009-2010	0.46	0.56	0.33	0.33	0.39	0.23	0.38
2010-2011	0.50	0.61	0.29	0.43	0.40	0.49	0.28
2011-2012	0.46	0.55	0.33	0.31	0.32	0.24	0.41
2012-2013	0.47	0.56	0.54	0.27	0.61	0.31	0.27
2013-2014	0.40	0.46	0.57	0.30	0.48	0.39	0.33

Source: monthly statistics of foreign trade of India

The above table depicts that most of the values are near to zero. It shows that there is no diversification of products in India's export to GCC or we can say that there is little bit diversification in India's export to GCC.

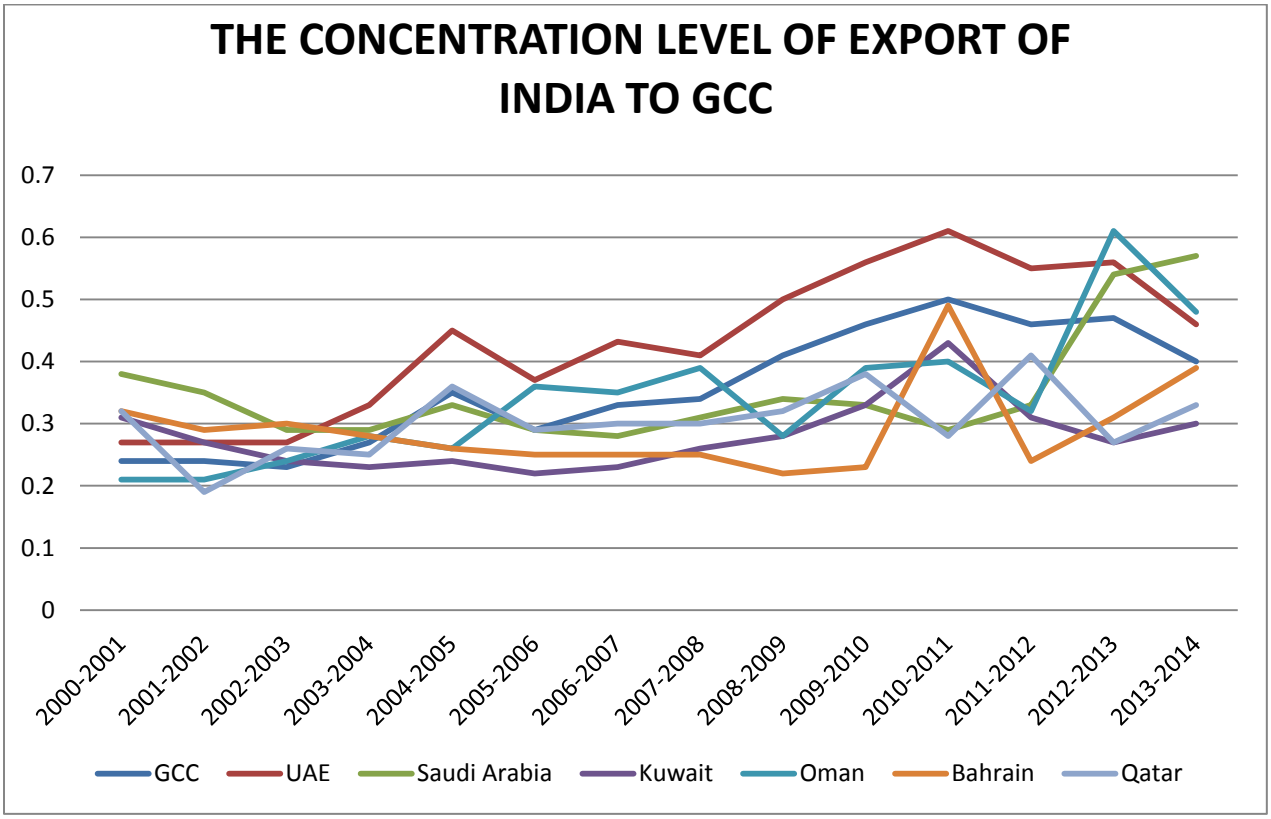


Figure 3.15 : The Concentration Level of Export of India to GCC

Source: monthly statistics of foreign trade of India

The graph 3.15 depicts the same as we explained in table 3.15.

The above figure depicts the concentration level of exports of India to GCC . from the above it is clear that India's export basket to the GCC is relatively diversified, though, dominated by India's exports to the UAE. In UAE the value are more than 0.56 in 2012-2013 this means that India's export basket was diversified towards UAE.

CHAPTER 4. COMPETITIVENESS OF EXPORT

The role of foreign trade in the economic life of countries increased enormously. The economic development of any countries is mainly depend upon their exports and the export performance of a country depend upon many factors such as the competitiveness of the export, changes in the world demand or in world trade , commodity composition of the exports, market distribution of the export etc.(Nayyar,1976). In this study we use the constant market share model to analyzed the competitiveness of India's export to GCC.

The constant market share model

The Constant Market Share Model is very popular method of measuring the export performance of a particular country. This model has been firstly used by Tyszynsky (1951) and then by Baldwin (1958), Spiegeeglas (1959) and Naya (1967). The model has been improved by Leamer and Stern (1970) and critically reviewed by Richardson (1971a, 1971b). Further, the model has been elaborated by Fagerberg and Sollie (1987) and recently improved by Leamer and Stern (2006). The method of CMS analysis allows us to decompose the export growth of a country between any two periods into four effects. These effects are World Demand Effect (WDE), Commodity Composition Effect (CCE), Market Distribution Effect (MDE), and Residual Competitiveness Effect (RDE) which included both price and non-price competitiveness. It tried to explain the difference between actual export growth and export growth calculated on the postulation that each export flow grows in accordance with the import market, i.e. the focus country's share of each commodity in each market remains constant. Exports are distinguished on the basis of the commodities and markets. Export flows, both commodity-wise and market-wise are treated as independent from each other. (Singh, K. A constant market share analysis of India)

The following is the main equation of the CMS model in terms of actual export growth.

$$\Delta X = \sum_{i=1}^{n} rX_i + \sum_{i=1}^{n} r_i X_i - \sum_{i=1}^{n} rX_i + \sum_{i=1}^{n}\sum_{j=1}^{n} r_{ij} X_{ij} - \sum_{i=1}^{n} r_i X_i + \Delta X - \sum_{i=1}^{n}\sum_{j=1}^{n} r_{ij} X_{ij}$$

In the equation, the expression (I) refers to the overall growth in the world exports and it is termed as 'World demand effect (WDE)". This equation estimates the level of change in the exports had the concerned country merely maintained its share in the world market.

Expression (ii) confined the effect of the differential export growth of the products in the export basket of the world in relation to the export of the focus country. This effect is termed as "commodity composition effect". A positive value for this term indicates that focus country exports in during the specific period were concentrated in commodities for which the growth rates of the world exports (ri) were higher than the world average for all commodities were (ri).A negative values indicates just the opposite that is, the focus country's export were concentrated in the commodities for which world demand was growing relatively slowly.

Expression (iii) shows the market distribution effect which can be interpreted in the same manner as the commodity competitiveness. a positive value reflects that the focus country export during the specific period were directed to the markets (i.e. region) were growing faster than the world average and the negative value indicates vice-versa.

Expression (iv) is a residual, which reflects the difference between the actual growth of focus country (ΔX) and the growth that would have occurred had the country maintained its export share of each commodity to each market ($\sum_i \sum_j r_{IJ} X_{IJ}$) a positive residual is reflective of a general improvement in the competitiveness of the exporting country due to the various price and non-price factors. Hence, it is termed as residual competitiveness effect.

This analysis is made for the 14 years from 2000-2014. The analysis is undertaken at aggregate level (i.e overall export) a further has been extended to the level of commodities (at SITC digit 1) and major export destination of India. Export destinations studied are 6 countries (GCC region).

The below table 4.1 depicts the commodity –wise growth decomposition pertaining to India's export at aggregate level of SITC digit 1. In case of all ten broad categories of commodities, analyzed, world demand effect was highly positive and the market distribution effect (MDE) was negative. But in case of Food and live animals (SITC 0) and Machinery and transport equipment(SITC7) the market distribution effect was positive. The residual competitiveness effect was

negative in case of eight categories of commodities namely Food and live animals (SITC 0) ,Beverages and tobacco(SITC1),Crude materials, inedible, except fuels (SITC2), Animal and vegetable oils, fats and waxes(SITC4) , Chemicals and related products(SITC5),Manufactured goods classified chiefly by material(SITC6) Machinery and transport equipment(SITC7), Miscellaneous manufactured articles (SITC8).but it was positive in case of commodities namely commodities and transaction not classified (SITC9), and mineral fuels, lubricants and related materials (SITC 3). The table also depicts that the gap between actual growth and potential growth was mainly explained by the positive world demand effect (WDE).

4.1 Commodity-wise analysis of Decomposition of Growth of India's Export during 2000-2013 (Value in million)

ITEMS (SITC)	Actual increase in India's export (ΔX)	World Demand Effect (DE)	Market Distribution Effect (MDE)	Competitiveness Effect(CE)
0- Food and live animals	28.80086 (100)	1102.812 (38.29)	1394.832 (48.43)	-2468.84 (-85.72)
1 - Beverages and tobacco	1.13055 (100)	31.45709 (27.82)	-25.9261 (-22.93)	-4.40043 -(3.89)
2 – Crude materials, inedible, except fuels	14.45332 (100)	441.7245 (30.56)	-352.134 (-24.36)	-75.1376 (-5.19)
3 –Mineral fuels, lubricants and related materials	68.12454 (100)	1600.024 (23.49)	-1540.24 (22.61)	8.335392 (0.12)
4 – Animal and vegetable oils, fats and waxes	0.881077 (100)	99.1997 (112.59)	-97.6637 (110.98)	-0.65494 (-0.74)
5 – Chemicals and related products,	35.08762 (100)	1077.201 (30.70)	-945.492 (26.95)	-96.6213 (-2.75)
6 -Manufactured goods classified chiefly by material	66.11336 (100)	2707.904 (40.96)	-2111.77 (-31.94)	-530.018 (-8.02)
7 - Machinery and transport equipment	43.00377 (100)	402.7155 (9.36)	974.5612 (22.66)	-1334.27 (-31.03)
8 -Miscellaneous manufactured articles	30.00979 (100)	1476.463 (49.2)	-1015.12 (-33.83)	-431.336 (-14.37)
9 - Commodities and transactions	2.46865 (100)	0.000155 (0.00)	-0.00016 (-0.00)	2.46865 (1)

SOURCE: UNCTAT STATISTICS

Table 4.2 Decomposition of growth of India's total Exports during 2000-2013

Years	Actual Increase in India's export (ΔX)	World Demand Effect (WDE)	Commodity Composition Effect(CCE)	Market Distribution Effect (MDE)	Competitiveness Effect (CE)
2000-07	103.54 (100)	4920.761 (47.53)	-532.675 (-5.14)	832.4683 (8.04)	-3797.02 (-36.67)
2008-13	154.7505 (100)	2879.81 (18.61)	2023.161 (13.07)	317.5841 (2.05)	-807.572 (-5.22)
2000-13	294.2533 (100)	7970.446 (27.09)	346.9223 (1.18)	-3096.81 (-10.52)	-1626.53 (-5.53)

Source: UNCTAT STATISTICS

The above table 4.2 depicts the decomposition of growth of India's total export during (2000-2013). During 2000-2007, India's export increased by 103.54 million .

During this period growth of world exports has been attributed to India's export growth that is highlighted by the world demand effect.(47.53 percent).but India has exploited the benefits from the opportunity provided by growing world export mainly due to the positive market distributive effect(8.04 percent) . But in this period the commodity composition effect (-5.14 percent) and competitiveness effect (-36.67 percent) be negative. The negative commodity composition effect reflects specialization in the wrong and slow growing commodities and on the other hand negative competitiveness shows that there is no improvement in the competitiveness of the exporting country due to the various price and non-price factors. The actual increase in India's export has been much than the potential increased offered by rapidly growing world demand during 2000-2007.

From 2008-2013 India's export increased by 154.75 billion which is because of positive world demand effect (18.61 percent),positive commodity composition effect(13.07) and positive market distribution effect(2.05) but again during this period the competitiveness effect was negative(-5.22). The negative RCE in this period has been entirely due to the occurrence of global crisis. But CCE and MDE turned out to be positive. Ie.13.07 percent and 2.05 percent respectively. The magnitude of world demand effect is higher than that of CCE and MDE. The

actual increase of exports (154.75 billion) in this period would have been higher than that of the potential provided by increase in the world demand.

From period 2000-2013, India's export in absolute term increased by 294.25 billion .during this period, growth of world export has largely been attributed to India's export growth that is highlighted by the world demand effect (27.09 percent). In this period the commodity, composition effect is positive (1.18 percent) which indicates that the focus country (India) exports in during the specific period were concentrated in commodities for which the growth rates of the world exports were higher than the world's average for all commodities. But during this period the market demand effect (-10.52) and residual competitiveness effect(-5.53) are remained to be negative .the negative market distribution effect reflects that the focus country export during the specific period (2000-2013) were directed to the market (i.e region)were not growing faster than the world average and the negative competiveness reflects that there is no general improvement in the competitiveness of the exporting country due to the various price and non-price factors. This shows that during the period 2000-2013, the India's export was increased because of world demand effect and there was some effect of commodity composition effect. The period 2000-2013 was a period of rapid growth for India and the world as a whole.

Table 4.3 Region-wise analysis of Decomposition of Growth of India's Export during 2000-2013 (Value in millions)

Year	ΔX	WDE	CCE	CE
2000-2013	361.3788988 (100)	367.6353476 (1.02)	4852.919724 (13.43)	-4859.176173 (-13.45)

Source: UNCTAT STATISTICS

The above table highlights the results pertaining to decomposition of India's export by region – wise (GCC) during 2000-2013. During this period, the actual increase in India's export to selected region (GCC) was found to be positive because of world demand effect. From 2000-2013, India's export increased by 361.37 billion. The world demand effect (1.02percent) and CCE (13.43 percent) was positive during the study period and competitiveness effect was negative (-13.45 percent).

CONCLUSION

This analysis helps us in understanding the behavior of India's export in world export market and explains the forces that are essential for the observed export performance. From this analysis it is clear that increasing world demand for exports has played an important and crucial role in the satisfactory export performance. To one side from expanding the world demand, India's export performance mainly depends upon their market distribution effect, competitiveness effect and on the commodity composition effect. The competitiveness effect, market distribution effect, and commodity composition effects turned out to be negative during most of the time. The categories of exports at SITC 3 and SITC 9 revealed the positive competiveness during the study period and the rest exhibited the negative competitiveness effect. Export promotion measures adopted by Indian policy makers have some important effect on its export competitiveness. it is clear that positive competitiveness of India's export is only because of domestic policy of export promotion. From the above analysis, we conclude that the world demand for export has increased by the strong world demand effect and this strong world demand effect was the result of the free trade wave instigated by WTO negotiations. The competitiveness effect mostly shows the negative effect during the study period. The appreciation of the currency of major exports in 2000-2006 has promoted India's exports and makes them competitive in global export market. Therefore, at the end it is clear from the above analysis that competitiveness effect is negative during the whole study period and India's export performance is mainly because of the world demand effect. so there is a need to adopt the export promotion measures because without this it would be difficult for the exports to maintain their competitiveness in the advanced countries.

CONCLUSION & POLICY IMPLICATIONS

The notable economic performance of India since 2000 has major impact on trade with the GCC Countries. In this study we conclude the growth, direction, composition and competitiveness of India's export to GCC. The value of India's exports to the GCC increased from 3,906.48 million (US$) in 2000-2001 to 48,221.20 million (US$) in 2013-2014, whereas India's overall export increased from 44,560.29 million (US$) in 2000-2001 to 314,405.30 million (US$) in 2013-2014. India's main export to GCC are mineral oils , mineral fuels, natural or cultural pearls , cereals, electrical and machinery equipments and ships boats , floating structures etc. Among all the GCC countries, UAE is the largest trading partner of India. India's export to UAE is more than other countries it was US$ 30,520.42 million in 2013-2014 and India's export to Saudi Arabia ,Bahrain ,Kuwait , Qatar, and Oman was US$12,218..95 million in 2013-2014. To calculate the annual percentage compound growth rate of exports this study uses the 2011-2012 as a base year and exponential function. An analysis of the composition of India's exports to the Gulf region based on data from monthly statistics of foreign trade suggests that five sectors at HS 2-digits. The composition of India's export to GCC is calculated or analyzed with the help of percentage method. The top five commodities in India's export to GCC are 27 - Mineral fuels, oils, distillation products, etc; 71- Natural or cultural pears, precious or semi-precious stones etc, 10- Cereals; "85- Electrical, electronic equipment; and 89- Ships, Boats and floating structures. The trend growth rate of India's export with GCC will be analyzed by Hirschman concentration index. Hirschman concentration index will be calculated to estimate the concentration level of export basket of India to GCC .Thus, its minimum value is zero, for a country with no exports. The lower is this index; the less concentrated are a country's exports. The fourth objective is to analyze the competiveness of India's export with GCC by using the constant market share model. From this analysis it is clear that increasing world demand for exports has played an important and crucial role in the reasonable export performance. To one side from expanding the world demand, India's export performance mainly depends upon their market distribution effect, competitiveness effect and on the commodity composition effect. Therefore, at the end it is clear from the above analysis that competitiveness effect is negative during the whole study period and India's export performance is mainly because of the world demand effect. so there is a need to

adopt the export promotion measures because without this it would be difficult for the exports to maintain their competitiveness in the advanced countries.

Policy implications :On the basis of the study, following policy recommendations are suggested.

It is assumed that greater cooperation between the two countries (India and GCC) can help them to understand their problems and seek their solution better. The future option may be different for both because of systematic differences and another reason for that is the resource endowments of the two countries are now different. However, both India and GCC faces the same task of removing the obstacles, which comes in the path of growth, ensuring optimum utilization of resources, and correcting the earlier misallocations. Therefore, both have a lot to learn from each other. The product diversification is low in case of India's export to GCC. India's export is concentrated on the same products as they export before 2000. This problem can be checked only by diversifying its export basket and it needs an immediate policy intervention. To enhance the trade India needs to diversify their products. Another problem is India import are more than its exports. For that, India's policy makers should adopt the export promotion measures. There should be need for enhanced role for Indian high commission. The economic and trade section in the Indian high commission need to upgraded by further augmentation of the staff for collecting the relevant information about domicile changing trade laws having implication for exports from India to GCC. India should ensure to export only that product which would bear those standards and certification as is acceptable to the requirements under GCC. Establishing an organic presence in GCC through the creation of chain outlets in the form of marketing office, branch office for ensuring immediate broadcast of information on latest market trends and potential customers. This would result in greater Indian competitive strength.

A free trade agreement with GCC will increase the economic ties between India and GCC. FTA will enhance the bilateral investment that help both India and GCC in greater growth opportunities. The FTA will eradicate tariff and nontariff barriers in the trade and simplify the customs procedures. By singing of new investment protection, agreement and double taxes agreement between the two will enhance the trade investment between them. India need to raise the quality of its products by reducing the use of pesticides and along with good training, the

exporters, packers, pack house workers and technicians also need to be trained according to the international requirements

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